



The STAT-USA[®]/Internet Companion to International Business

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Economics and Statistics Administration
U.S. Department of Commerce

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THE STAT-USA®/INTERNET COMPANION TO INTERNATIONAL MARKETING

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Under the legislative requirement of the Omnibus Trade and Competitiveness Act of 1988, 15 Federal agencies voluntarily provide international economic and trade information to STAT-USA® to enable it to serve as a Federal one-stop source for the electronic dissemination of these Federal data on the Internet. We are grateful to these Federal agencies for their cooperation and teamwork; their support serves as a model for other projects and a demonstration of how significant accomplishments can be achieved when Federal Agencies work together. This statement is all the more significant in that October 2000, marks the tenth anniversary of the inauguration of the National Trade Data Bank, the core international data within STAT-USA Internet®. For more information, please contact STAT-USA® by phone at 1-800-STAT-USA (202-482-1986 for international callers); by fax at 202-482-2164; or send e-mail to statmail@mail.doc.gov.

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UNITED STATES DEPARTMENT OF COMMERCE
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A message from the Economics and Statistics Administration

The Economics and Statistics Administration's STAT-USA® is pleased to announce its new publication "The STAT-USA® Companion to International Marketing." The publication provides instruction on how to use the information contained in the STAT-USA/Internet website for analytical purposes, and gives examples on how to translate the information into knowledge which leads to successful business transactions and informed decisions. The principal objective of this publication is to make international marketing success even more frequent through training and education.

The STAT-USA® Companion to International Marketing publication was prepared to assist U.S. businesses, particularly exporters, in marketing research and analysis. A second and equally important objective was to develop instructional materials for both faculty and students of international business to better integrate STAT-USA/Internet resources into their curriculum and research. With the ever-increasing globalization of the world economies, understanding business and economic information such as that contained in STAT-USA/Internet has become even more crucial for succeeding in international business.

This project was initiated by STAT-USA®, the electronic information dissemination arm of the Economics and Statistics Administration, U.S. Department of Commerce; and completed in collaboration with the Foundation for International Business Education and Research. The Department's Minority Business Development Administration provided funding support that made this project possible. The STAT-USA® Companion to International Marketing partnership is a prime example of how the Federal government and the private sector can successfully work together to better serve the American public.

As your views are important to us, please e-mail any comments you may have on the publication to statmail@mail.doc.gov, or, call (1-800) STAT-USA (1-800-782-8872.)

Armondo P. Lopez
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Preface

This book aims to make you a better, more successful participant in the international marketplace by providing information about international marketing. It helps you find and analyze information, and offers ways of translating this information into knowledge which leads to successful business transactions. By learning about both theory and practice, you can obtain a good conceptual understanding of the field of international marketing as well as become firmly grounded in the realities of the global marketplace. Therefore, this book approaches international marketing in the way the manager of a firm does, reflecting different levels of international involvement and the importance of business-government relations.

Firms and individuals differ widely in their international activities and needs, depending on their level of experience, resources, and capabilities. For those just beginning to enter the global market, the level of knowledge about international complexities is low, the demand on time is high, expectations about success are uncertain, and the international environment is often inflexible. Conversely, for a multinational firm that is globally oriented and employs thousands of people on each continent, much more leeway exists in terms of resource availability, experience, and information. In addition, the multinational firm has the option of responding creatively to the environment by shifting resources or even shaping the environment itself. For example, while large corporations have the resources to plead their case for a change in governmental policy, smaller firms rarely take that direction.

To become a large international corporation, however, a firm usually has to start out small. Similarly, to direct far-flung global operations, managers first have to learn the basics of international business and trade. This work reflects this reality by presenting a perspective of the business environment, which focuses on the beginning internationalization of the firm. The emphasis is on the needs of those who are starting out and the operational questions that are crucial to success. Some basic and essential issues addressed are: What is the difference between domestic and international marketing? Does the applicability of marketing principles change when they are transferred to the global environment? How do marketers find out whether there is a market for a product abroad without spending a fortune in time and money on research? How can the firm promote its products in foreign markets? How do marketers find and evaluate a foreign distributor, and how do they make sure that their firm gets paid? How can marketers minimize government red tape yet take advantage of any governmental programs that are of use to them?

These questions are addressed both conceptually and empirically, with a strong focus on export and import operations. The reader will see how the international commitment is developed and strengthened within the firm, how research is conducted and how the international decisions are made. All these concepts are then applied in a series of experiential exercises which use the data offered by STAT-USA®.

We expect that this approach to international marketing will permit you to become well versed in both the operational and the strategic aspects of the field. As a result, you should develop a better understanding of how the global market works and the capability to participate in the international marketing imperative yourself.

Chapter 1

THE INTERNATIONAL MARKETING IMPERATIVE

You are about to begin an exciting, important, and necessary task: the exploration of international marketing. International marketing is exciting because it combines the science and the art of business with many other disciplines. Economics, statistics, anthropology, cultural studies, geography, history, languages, jurisprudence, demographics, and many other fields combine to help you explore the global market. You will be exposed to new environments and, with the help of information provided by STAT-USA®, you will learn how to analyze them. Doing so will stimulate your intellectual curiosity and enable you to absorb and understand new phenomena. International marketing has been compared by many who have been active in the field to the task of mountain climbing: challenging, arduous, and exhilarating. To make international marketing success even more frequent through in-depth training and education is the objective of this work.

International marketing is important because the business world has become global. After experiencing the material presented here, and observing international marketing phenomena, you will see what happens, understand what happens, and, at some time in your future, perhaps even make it happen. All of this is much better than to stand by and wonder what happened.

International marketing is necessary because, from a national and personal standpoint, economic isolation has become impossible. Failure to participate in the global marketplace assures a nation of declining economic capability and its citizens of a decrease in their standard of living. Successful international marketing, however, holds the promise of an improved quality of life, a better society, and, perhaps a more peaceful world.

International marketing is imperative because in this new economy based on open borders, niche marketing, instant communication, and virtually free ways to reach millions of consumers, we are witnessing an historical and unprecedented opportunity for individuals to enter the international marketplace. Start-up firms can challenge the existing, long dominant large competition. Speed and creativity have often become more important to success than size.

Those who do not develop an international marketing strategy, use the latest technologies, and innovative alliances, and carve niches in a truly global marketplace, will not be competitive and will be left on the shoulder of the information superhighway, soon to be towed away.

International marketing is not just about foreign direct investment, agent and distributor relationships, multinational corporations and marketing in upscale, traditional European markets. International marketing is about increasing sales and profits, identifying and carving out a global market niche, reducing dependence on increasingly competitive domestic markets, conducting online market research, selling by using state-of-the-art online marketing techniques, understanding emerging legal issues in this new electronic economy, protecting and securing information and ideas, being able to facilitate online payments, and understanding the new and emerging technical issues critical to international marketing.

What International Marketing Is

In brief, international marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations. International marketing has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations, and management contracts.

International marketing is a tool which helps improve one's present position. The fact that a transaction takes place "across national borders" highlights the difference between domestic and international marketing. The international marketer is subject to a new set of environmental factors, to different constraints, and to quite frequent conflicts resulting from different laws, cultures, and societies. The basic principles of marketing still apply, but their applications, complexity, and intensity may vary substantially. It is in the international marketing field where one can observe most closely the role of marketing as a key agent of societal change and as a key instrument for the development of societally responsive business strategy. When one looks, for example, at the new market economies of Latin America, one can see the many new challenges with which international marketing is confronted. How does the marketing concept fit into these societies? How can marketing contribute to economic development and the betterment of society? Similarly, in the international areas of social responsibility and ethics, the international marketer is faced with a multicultural environment with differing expectations and often inconsistent legal systems when it comes to monitoring environmental pollution, maintaining safe working conditions, copying technology or trademarks, or dealing with demands for bribes.

One of the greatest challenges and opportunities for individuals and firms will be market expansion based on economic efficiency rather than political expediency. For example, Mexico's new president, Vicente Fox (who was the past president of Coca-Cola in Mexico) is trying to convince the United States that liberalized immigration for Mexican workers who seek to live and work in the United States will contribute to market expansion on both sides of the border. Mexico is also seeking to expand the membership of NAFTA to Argentina, Brazil, Columbia and other Latin American countries that are economically strong enough to join economic forces (currently, the U.S., Canada and Mexico are members of this tariff-free zone).

For smaller firms in Mexico, such market integration would mean greater access to tariff-free markets, but also a loss of skilled and unskilled labor and heightened competition from new firms. The imperative to improve production time, reduce costs, train employees, and find niche markets will only increase as countries reduce their trade barriers and become fully integrated into the global economy.

To achieve success in the art of international marketing, it is necessary to be firmly grounded in its scientific aspects. Only then will individual consumers, policymakers, and business executives be able to incorporate international marketing considerations into their thinking and planning. Only then will they be able to consider international issues and repercussions and make decisions based on the answers to such questions as these:

- How will my idea, product, or service fit into the international market?
- What marketing adjustments are or will be necessary?

- What threats from global competition should I expect?
- How can I work with these threats to turn them into opportunities?
- What are my strategic global alternatives?

If all of these issues are integrated into each decision made by individuals and by firms, international markets can become a source of growth, profit, needs satisfaction, and quality of life that would not have existed had they limited themselves to domestic activities. The purpose of this companion is to enable readers to make better decisions and achieve a better economic standard of living.

The Importance of World Trade

Today, world trade has become very important. In the last three decades, world merchandise trade has expanded from \$200 billion to more than \$8 trillion. Trade growth is much higher than the growth of domestic economies. As a result, many new countries and firms have found it highly desirable to become major participants in international marketing.

Firms not only trade but also invest on a global scale. International specialization has made production much more efficient. At the same time, consumers, union leaders, policymakers, and sometimes even the firms themselves are finding it increasingly difficult to define where a particular product was made since subcomponents may come from many different nations.

Individuals and firms have come to recognize that they are competing not only domestically but in a global marketplace. World trade has given rise to global linkages of markets, technology, and living standards that were previously unknown and unanticipated. At the same time, it has deeply affected domestic policy-making and has often resulted in the emergence of totally new opportunities as well as threats to firms and individuals.

In the new millenium, the importance of participating in the new electronic and global economy cannot be overemphasized. Much of this has to do with the Internet. Internet use is growing faster than use of any other technology in history. According to *Newsweek*, the number of computers connected to the Internet is expected to rise to 120 million by 2001.

The use of the Internet has dramatically reduced marketing and communication costs, changed communications patterns, (when is the last time you sent a letter?), reduced time-to-market for goods and services, and allowed for exciting, new and unusual business alliances.

As Internet technology advances and overcomes problems with reliability and speed, it will be used in unprecedented ways to exchange information and trade goods and services. Many large firms now integrate online technology into their older Electronic Data Interchange (EDI) systems to build new Internet-based systems for more efficient supply chain management and inventory control.

Small firms based anywhere in the world can create niches, know their customers and use technology to deliver goods and services not just in time, but with time to spare. The focus of international marketing is no longer exclusively on large multinational corporations, but also on Internet upstarts who understand the new economy and how to survive and thrive in it.

Simply put, the Internet will pervade international marketing. Individuals and firms will use the Internet to survey customers in foreign countries at virtually no cost, craft a marketing message and supply information and pictures to targeted consumers without having to spend precious and scarce resources on expensive, glossy, paper marketing catalogues. They will be able to manage and transfer funds without the intervention of expensive financial institutions.

In spite of the many changes already brought about by the Internet and technology, the real impact remains to be seen. The Internet has affected the conduct of business, trade patterns, learning, social and political interactions. Growth areas are emerging in publishing, niche media, customized finance, education, entertainment, software, retailing of consumer products such as clothing, footwear, processed foods, health products and commodities.

Global Linkages

World trade has forged a network of global linkages that bind us all – countries, institutions, and individuals – much closer than ever before. A drought in Brazil and its effects on coffee production are felt around the world. A decline of the Mexican peso affects markets in the United States and reverberates throughout Poland, Hungary, and the Czech Republic. Iraq's invasion of Kuwait and the subsequent Persian Gulf War affected oil prices, stock markets, trade, and travel flows in all corners of the earth.

These linkages have also become more intense on the individual level. Communication has built new international bridges, be it through music or international programs transmitted by CNN. New products have attained international appeal and encouraged similar activities around the world – we all wear denim, dance the same dances, and eat pizzas and tacos. Low cost transportation linkages make it easy for people from different countries see and meet each other. Common cultural pressures also result in similar social behavior – for example, more dual-income families are emerging around the world, which leads to more frequent, and also more stressful, shopping.

World trade is also changing corporate processes. Never before has it been so easy to gather, manipulate, analyze, and disseminate information, but never before has the pressure been so great to do so. Innovation in technology and marketing affects the efficiency and effectiveness of all business activities. Products can be produced more quickly, obtained less expensively from sources around the world, distributed at lower cost, and customized to diverse clients' needs. As an example, only a decade ago, it would have been thought impossible for a firm to produce parts for a car in more than one country, assemble the car in yet another country, and sell it in still other nations. Today, such global investment strategies, coupled with production and distribution sharing are becoming a matter of routine.

Advances in technology also allow firms to separate their activities by content and context. Many firms can now operate in a market space. For example, a newspaper can now be distributed globally on-line rather than house-to-house on paper, thereby allowing an expansion of reach to new customer groups.

The level of global investment is at an unprecedented high. Currently, well over one-third of the workers in the U.S. chemical industry toil for foreign owners. Many of the office buildings Americans work in are held by foreign landlords. The opening of plants abroad and in the

United States increasingly takes the place of trade. All these developments make us more and more dependent on one another.

This interdependence, however, is not stable. For example, for the first 200 years of its history, the United States looked to Europe for markets and sources of supply. Today, U.S. two-way trade with Asia far outpaces U.S. trade with Europe. Trade with Latin America is growing rapidly, and those looking towards Africa encounter new opportunities.

Not only is the environment changing, the pace of change grows faster. Atari's Pong was first introduced in the early 1980's; today, action games and movies are made with computerized humans. The first office computers emerged in the mid 1980s; today, home computers have become commonplace. Email was introduced to a mass market only in the 1990s. Today, many college students hardly ever send personal notes using a stamp and an envelope. These changes and the speed with which they come about significantly affect countries, corporations, and individuals. For example, the United States accounts for nearly 25 percent of world trade flows, and world trade affects more than one quarter of the U.S. economy. In many other nations, the proportion of trade and therefore its impact is even higher. Also, the way countries participate in world trade is shifting. In the past two decades, the role of primary commodities in international trade has dropped precipitously, while the importance of manufactured goods and of services has increased.

Domestic Policy Repercussions

The effects of closer global linkages on the economics of countries have been dramatic. Policymakers have increasingly come to recognize that it is very difficult to isolate domestic economic activity from international market events. Decisions that once were clearly in the domestic purview have now become subject to revision by influences from abroad. Sometimes domestic policy measures are counteracted or even cancelled out by the activities of global market forces.

A lowering of interest rates domestically may make consumers happy or may be politically wise, but it quickly becomes unsustainable if it results in a major outflow of funds to countries that offer higher interest rates. Agricultural and farm policies, which historically have been strictly domestic issues, are suddenly thrust into the international realm. Any policy consideration must now be seen in light of their international repercussions due to influences from global trade and investment. The following examples highlight some of these influences in the United States:

- One out of every three U.S. farm acres is producing for export.
- One of every six U.S. manufacturing jobs is linked to exports.
- One of every seven dollars of U.S. sales is to someone abroad.
- One of every three cars, nine of every ten television sets, two of every three suits, and every video recorder sold in the United States is imported.
- Travel and tourism is the number one source of U.S. foreign exchange.
- One of every four dollars of U.S. bonds and notes is issued to foreigners.

Global trade has changed many previously held notions about nation-state sovereignty and influence abroad. The same interdependence that has made us more affluent has also left us more vulnerable. Clearly, closer economic relations can result in many positive effects. At the same time, however, interdependence brings with it risks, such as dislocations of people and economic resources and a decrease in a nation's capability to do things its own way.

Opportunities and Challenges in International Marketing

To prosper in a world of abrupt changes and discontinuities, of newly emerging forces and dangers, of unforeseen influences from abroad, consumers and firms need to prepare themselves and develop active responses. New strategies need to be envisioned, new plans need to be made, and our way of thinking and of doing business needs to change. The way to obtain and retain leadership, economically, politically, or morally, is – as the examples of Rome, Constantinople, and London have amply demonstrated – not through passivity but rather through a continuous, alert adaptation to the changing world environment. To help a country remain a player in the world economy, governments, firms, and individuals need to respond aggressively with innovation, process improvements, and creativity.

The growth of global business activities offers increased opportunities. International activities can be crucial to a firm's survival and growth. By transferring knowledge around the globe, an international firm can build and strengthen its competitive position. Firms that heavily depend on long production runs can expand their activities far beyond their domestic markets and benefit from reaching many more customers. Market saturation can be avoided by lengthening or rejuvenating product life cycles in other countries. Production sites once were inflexible, but now plants can be shifted from one country to another and suppliers can be found on every continent. Cooperative agreements can be formed that enable all parties to bring their major strengths to the table and emerge with better products, services, and ideas than they could produce on their own. In addition, research has found that firms which market internationally tend to face a lower probability of insolvency and less average risk than do domestic companies. The jobs held by their employees are better paid and more secure. At the same time, international marketing enables consumers all over the world to find greater varieties of products at lower prices and to improve their lifestyles and comfort. It also allows individuals to offer their skills globally thus enriching the lives of many. *The International Marketplace 1* provides an example.

The International Marketplace 1

A New Services Industry: Finding Basketball Players

Tall kids in countries around the world are finding golden opportunities on American basketball courts. The number of foreign players on U.S. college and professional basketball teams has recently jumped from 144 to 243 in a four-year period, and American recruiters can't seem to get enough of the foreign imports. Hakeem Olajuwon, an NBA star from Nigeria, has achieved the status of folk hero among many fans around the globe. Many credit his success with the current rush to recruit players from abroad.

Stiff competition for the tallest players has even lead to recruiting foreign players at younger levels of the sport; high schools commonly use foreign exchange programs to fortify their teams with foreign players through middlemen, like the Nigerian lawyer, Toyin Sonoiki, who spent \$500,000 to send nine players to U.S. schools.

The role of middlemen is crucial in obtaining visas for the students. Another Nigerian lawyer, Lloyd Ukwu, lives in Washington, D.C., and recruits on business trips back home. He started helping young Nigerians obtain U.S. visas in 1988. After meeting some players on a trip to Nigeria, he asked an assistant basketball coach at American University to write invitations for eight Nigerian players to visit the United States, and these letters were influential in helping them win visas. Word spread out Ukwu's recruiting efforts, and soon other universities were using his services.

The internationalization of the sport has changed the jobs of many American coaches and recruiters. For years, college recruiting as used tip sheets to describe U.S. high school players, but now there is one recruiting service that gives the scoop on foreign players as well. Dale Mock, a Georgia elementary-school physical education teacher, runs International Scouting Service, begun in 1993. His tip sheets give subscribers the details about foreign players and contact information for \$25-\$350 a year. Mock's subscriber list is up to 100, from a start of only 20 his first year. Dale Brown, Louisiana State's former coach, described the internationalization of the recruiting scene: "In the 1960s, I would go to the European championships, to the Asian games and all the rest – and I was the only American. Now, so many Americans are there it's like being in Grand Central Station."

Source: International Scouting Service Web site, accessed June 17, 1999, www.inthoops.com; Marc Fisher and Ken Denlinger, "The Market for Imports is Booming." The Washington Post, March 28, 1997, C1.

International opportunities require careful exploration. What is needed is an awareness of global developments, an understanding of their meaning, and a development of capabilities to adjust to change. Firms must adapt to the international market if they are to be successful. One key facet of the marketing concept is adaptation to the environment. Even though many executives understand the need for such adaptation in their domestic market, they often believe that international customers are just like the ones the firm deals with at home. It is here that many firms commit grave mistakes that lead to inefficiency, lack of consumer acceptance, and sometimes even corporate failure. As the *International Marketplace 2* shows, conditions and constraints around the world can differ substantially, which in turn requires different market plans and approaches.

Firms increasingly understand that many key difficulties encountered in doing business internationally are marketing problems. Judging by corporate needs, a background in international marketing is highly desirable for employment, not only for today but also for long-term career plans.

Many firms do not participate in the global market. Often, managers believe that international marketing should only be carried out by large multinational corporations. It is true that there are some very large players from many countries active in the world market. But smaller firms are major players, too. Increasingly we find smaller firms, particularly in the computer and telecommunications industries, that are born global, since they achieve a worldwide presence within a very short time.

International Marketplace 2

A Glimpse at the World in the New Century

One of the drivers behind the move toward global marketing strategies has been the notion that the consumer needs are becoming more alike. Yet drastic differences in the development of various regions of the world remain and are bound to continue existing well into the new century.

Such differences warrant differentiation in both marketing and pricing strategies. Here are just a few examples of what a baby in the Western world and a baby in the less developed one may face upon birth in the new millennium.

The Western Baby:

- In Switzerland she will live to the age of 82, while he will live to the age of 75.
- In the Netherlands there is a 1% risk he will not see his fifth birthday, and a 9% of not seeing his sixtieth.
- In the United States her family's income will likely exceed \$21,541 per annum.
- In Canada he will share 1 square mile with eight other people.
- In Italy she will be living in a city, as 90% of the population does.

The Baby of the Less Developed World:

- In Sierra Leone, she will live to the age of 39, while he will live to the age of 36.
- In Niger he will run a 9% risk of not seeing his ninth birthday, and a 36% risk of not seeing his fortieth.
- In Uganda her family annual income is likely to be about \$602.
- In China he will share 1 square mile with 327 other people.
- In India she will be living in the rural area as 72% of the population does.

Source: UN Human Development Report, Population Reference Bureau, *World Almanac*; *Washington Post*, July 31, 1999, A15.

Those firms and industries that are not participating in the world market have to recognize that in today's trade environment, isolation has become impossible. Willing or unwilling, we all are becoming participants in global business affairs. Even if not by choice, most firms and individuals are affected directly or indirectly by economic and political developments that occur in the international marketplace. Those that refuse to participate are relegated to react to the global marketplace, and therefore are unprepared for harsh competition from abroad.

Some industries have recognized the need for international adjustments. Farmers understand the need for high productivity in light of stiff international competition. Car producers, computer makers, and firms in other technologically advanced industries have learned to forge global relationships to stay in the race. Firms in the steel, textile, and leather sectors have shifted production, and perhaps even adjusted their core business, in response to overwhelming onslaughts from abroad. Other industries in some countries have been caught unawares and have been unable to adjust. The result is the extinction of firms or entire industries such as VCRs in the United States or coal mining and steel smelting in other countries. However, many firms that have recognized the opportunities presented by the international market and have taken advantage of them, have accumulated unprecedented market share and substantial profits, have provided stable and highly paid jobs to their employees, and have opened a world of choice and improvement to consumers.

Chapter 2

BUILDING THE INTERNATIONAL KNOWLEDGE BASE

The single most important cause for failure in the international marketplace is insufficient preparation and information. Major mistakes often occur because the firm and its managers do not have an adequate understanding of the business environment. Many firms either do not believe that international market research is worthwhile or face manpower and resource bottlenecks that impede research. Yet building a good knowledge base is a key condition for subsequent marketing success. To do so, one needs to accumulate data and information through research. One key form of research available to the firm consists of secondary research, where data that have already been collected are used. This chapter will outline secondary research issues, focusing primarily on ways to obtain basic information quickly, ensuring that the information is reasonably accurate, and doing so with limited corporate resources.

Defining the Issue

Marketing research is the systematic and objective identification, collection, analysis and dissemination of information for the purpose of improving decision making related to the identification and solution of problems and opportunities in marketing. This statement highlights the need for systematic work, indicating that research should be the result of planned and organized activity. It stresses the need for objectivity and information, reducing the roles of bias, emotions, and subjective judgment. Finally, it addresses the need for the information to relate to specific problems. Marketing research must have a business purpose.

Recognizing the Need for Research

To serve a market efficiently and well, firms must learn what customers want, why they want it, and how they go about fulfilling their needs. To enter a market without conducting marketing research can place firms and their entire operation at risk. Even though most firms recognize the need for domestic marketing research, this need is not fully understood for international marketing activities. Often, decisions concerning entry and expansion in overseas markets and the selecting and appointing of distributors are made after a very limited subjective assessment of the situation. The research done is less rigorous, less formal, and less quantitative than for domestic marketing activities even though the problems encountered abroad may be greater and more complex. Many executives believe foreign market research sources of data, statistics, market intelligence and industry-specific international market research reports are expensive and difficult to find, which is simply not the case.

A major reason that firms are reluctant to engage in international marketing activities is the lack of sensitivity to differences in consumer tastes and preferences. Managers often tend to assume that their methods are both best and acceptable to all others. This is fortunately not true. What a boring place the world would be if it were!

A second reason is a limited appreciation for the different marketing environments abroad. Often, firms are not prepared to accept that distribution systems, product applications and uses, the availability of media, or advertising regulations may be entirely different from those in the home market. Barely aware of the differences, many firms are unwilling to spend money to find out about them.

A third reason is the lack of familiarity with data sources and the inability to use them if obtained. As a result, the cost of conducting international marketing research is seen as prohibitively high, and therefore not a worthwhile investment relative to the benefits to be gained. However, the Internet and STAT-USA® make international marketing research much easier and much less expensive. As use of the Internet grows around the world, research will become more accessible as well.

International marketing research is important. It permits management to identify and develop strategies for internationalization. This task includes the identification, evaluation, and comparison of potential foreign market opportunities and subsequent market selection. Second, research is necessary for the development of a marketing plan. The requirements for successful market entry and market penetration need to be determined. Subsequently, the research should define the appropriate combination of goods and services for each international market and should maintain continuous feedback in order to fine-tune the various corporate activities. Finally, research can provide management with foreign market intelligence to help it anticipate events, take appropriate action, and prepare for global changes.

Determining Research Objectives

Going International: Exporting

The most frequent objective of international market research is that of *foreign-market opportunity analysis*. When a firm starts its international activities, information is needed to provide basic insights. The aim is not to conduct a painstaking and detailed analysis of the world on a market-by-market basis but instead to utilize a broad-brush approach. Accomplished quickly at low cost, this can narrow down the possibilities for international marketing activities.

Such an approach should begin with a cursory analysis of general market variables such as total and per capita GNP, mortality rates, and population figures. Although these factors in themselves will not provide detailed market information, they will enable the researcher to determine whether the corporation's objectives might be met in those markets. For example, highly priced labor-saving consumer products may not be successful in a country with low income and large population. Such a cursory evaluation will help reduce the number of markets to be considered to a more manageable number – perhaps from 200 to 25.

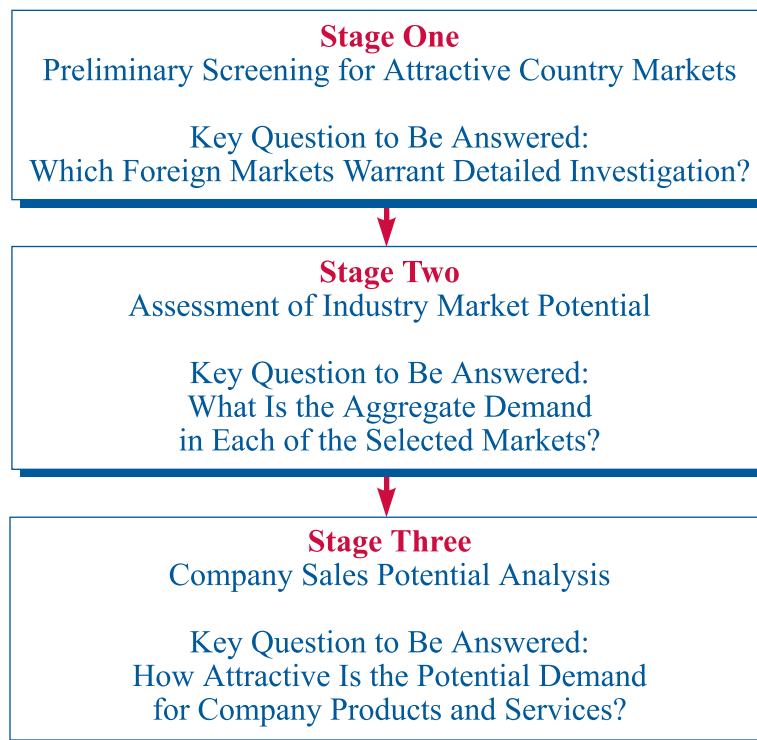
Next, the researcher will require information on each individual market for a preliminary evaluation. This information typically locates the fastest-growing markets, the largest markets for a particular product, market trends, and market restrictions. Although precise and detailed information for each product probably cannot be obtained, it is available for general product categories such as automobiles or furniture.

Governmental restrictions of markets must be considered as well. As an example, one can determine that Iraq represents a fast-growing market for computer hardware and software. However, an inspection of U.S. export licensing regulations will reveal that computer trade with Iraq is prohibited. Again, this overview will be cursory but will serve to evaluate markets quickly and reduce the number of markets into which one invests more research resources.

At this stage, the researcher's emphasis will shift to focus on market opportunities for a specific product or brand, including existing, latent, and incipient markets. Even though the aggregate industry data have already been obtained, general information is insufficient to make company-specific decisions. For example, the market demand for computer equipment should not be confused with the potential demand for a specific brand. Therefore, it is critically important to conduct research on prospective buyers' brand preferences as well as preferences regarding packaging, color, container size, delivery schedules, payment terms and a host of other buyer criteria.

In addition, the research should identify demand-and-supply patterns and highlight any applicable regulations and standards. Finally, a competitive assessment needs to be made that matches markets with corporate strengths and provides an analysis of the best market potential for specific products. Figure 1 offers a summary of the various stages in the determination of market potential.

FIGURE 1
A Sequential Process of Researching Foreign Market Potentials



Source: S. Tamer Cavusgil, "Guidelines for Export Market Research," Business Horizons 28 (November–December 1985): 29. Copyright 1985 by the Foundation for the School of Business at Indiana University. Reprinted by permission.

Going International: Importing

When importing, firms shift their focus from supplying to obtaining products. Management must identify markets that produce desired supplies or materials or which have the potential to do so. Foreign firms must be evaluated in terms of their capabilities and competitive standing. The importer needs to know, for example, about the reliability of a foreign supplier, the consistency of its product or service quality, and the length of delivery time. Insights obtained through one's embassy can be very helpful as is information from business rating services and recommendations from current customers.

Before any deal is inked, it is essential that the buyer checks the reputation and financial history of the prospective partner. Also consider trade associations and credit reporting agencies such as America's Business Information Association, Dun and Bradstreet Information Services, JI International, Graydon International, Owsen On-line Inc., Piguet International Inc., LID Credit Agency, Inc., Standard and Poor's Rating Service and Veritas.

Probably the best source to check a potential customer's credit and business history are the international departments of large U.S. banks. These people make it their business to know overseas creditors. They routinely respond to letters of credit, know "who's who" in overseas financial circles and have their own overseas branches. Also, keep in mind that EX-IM Bank uses its repayment records to provide credit information for U.S. exporting firms and provides information useful in the financing of export sales to a specific country or company abroad. Finally, for many countries, the U.S. Department of Commerce offers International Company Profiles which are a method for checking the reputation, reliability, and financial status of a prospective trading partner.

In addition, government rules must be scrutinized as to whether exportation from abroad is possible. For example, India may set limits on the cobra handbags it allows to be exported, and laws protecting the cultural heritage may prevent the exportation of pre-Columbian artifacts from Latin American countries. The international manager must also analyze home market restrictions and legislation that may prohibit the importation of certain goods into the home country. Even though a market may exist in the United States for foreign umbrella handles, for example, quotas may restrict their importation in order to protect domestic industries. Similarly, even though domestic demand may exist for ivory, its importation may be illegal because of worldwide legislation enacted to protect wildlife. Also, one needs to make sure not to be trading with a U.S. prohibited individual or business by checking out the Bureau of Export Administration's Denied Persons List on STAT-USA® on the Internet.

Market Expansion

Research objectives may include obtaining detailed information for penetrating a market, for designing and fine-tuning the product or service offering or for monitoring the political climate of a country so that the firm can expand its operation successfully. The better defined the research objective is, the better the researcher will be able to determine the information requirements and thus conserve time and financial resources of the firm.

Determining Secondary Information Requirements

Using the research objective as a guide, the researcher will be able to pinpoint the type of information needed. For example, if only general initial market information is required, perhaps macro data such as world population statistics will be sufficient. If research is to identify market restraints, then perhaps information is required about international accords and negotiations in the WTO. Alternatively, broad product category, production, and trade figures may be desired in order to pinpoint general market activities. Very specific detailed product data may be necessary to conduct a relevant analysis. Typically, management is likely to need both macro and micro data. Table 1 provides a listing of the type of information that, according to U.S. executives, is most crucial in international marketing.

TABLE 1
Most Critical International Information for U.S. Firms

Government Data	Corporate Data
Tariff information	Local laws and regulations
U.S. export/import data	Size of market
Nontariff measures	Local standards and specifications
Foreign export/import data	Distribution system
Data on government trade policy	Competitive activity

Source: Michael R. Czinkota, “International Information Needs for U.S. Competitiveness.” Reprinted from *Business Horizons* 34, no. 6 (November—December 1991): 86—91. Copyright 1991 by the Foundation for the School of Business at Indiana University.

Sources of Data

STAT-USA®, the one stop source for U.S. government economic and trade information, is your most direct link to international business information (www.stat-usa.gov). For example, the National Trade Data Bank (NTDB), a monthly product featured on STAT-USA® Internet includes more than 70,000 documents, including full text market research reports, domestic and foreign economic data, trade information and country studies, all compiled from twenty-six government agencies. Export and import trade statistics are available in detail on USA Trade Online on CD-ROM. Highlights are available on STAT-USA® Internet. Information on available data is covered in Appendix A on page 104.

Evaluating Data

Before obtaining the data, the researcher needs to evaluate their appropriateness for the task at hand. As the first step of such an evaluation, the quality of the data source needs to be considered with a primary focus on the purpose and method of the original data collection. Next, the quality of the actual data needs to be assessed, which should include a determination of data accuracy, reliability, and recentness. Obviously, outdated data may mislead rather than improve the decision-making process. In addition, the compatibility and comparability of the data need to be considered. Since they were collected with another purpose in mind, one needs to determine whether the data can help with the issue of concern to the firm. In international research it is also important to ensure that data categories are comparable to each other, in order to avoid misleading conclusions. For example, the term *middle class* is likely to have very different implications for income and consumption patterns in different parts of the world.

Analyzing and Interpreting Secondary Data

After the data have been obtained, the researcher must use his or her research creativity to make good use of them. This often requires the combination and cross-tabulation of various sets of data or the use of proxy information in order to arrive at conclusions that address the research objectives. For example, the market penetration of television sets may be used as a proxy variable for the potential market demand for video recorders. Similarly, in an industrial setting, information about plans for new port facilities may be useful to determine future containerization requirements. Also, the level of computerization of a society may indicate the future need for software. The low market penetration of pagers in a particular foreign market might be used as a proxy variable for the potential technology leapfrogging or market demand for cellular phones with personal messaging services which are proving to be desirable in the U.S. and Europe because it eliminates the number of gadgets and services needed for the same access to communication. Increasingly, combining once disparate and incompatible technologies will continue to “kill categories” and combine markets for thousands of products involving computers, communications, entertainment, information gathering, etc., thus forcing partnerships, alliances, joint research and collaboration on an unprecedented scale.

The researcher must go beyond the scope of the data and use creative inferences to arrive at knowledge useful to the firm, but also recognize that such creativity brings risks. Once the interpretation and analysis have taken place, a consistency check must be conducted. The researcher should always cross-check the results with other possible sources of information or with experts. The key question to be answered is: Do the results make sense? If they don't some additional research may be needed. For example, if research shows that few spaghetti are purchased in Italy, the findings tell less about spaghetti consumption than about the difference between store bought and homemade noodles.

In addition, the researcher should take another look at the research methods employed and, based on their usefulness determine any necessary modifications for future projects. This will make possible the continuous improvement of international market research activities and enables the corporation to learn from experience. *The International Marketplace 3* shows how such research creativity can be achieved.

International Marketplace 3 **An Example of Creative Research**

When U.S. entrepreneur Peter Johns went to Mexico to do business, he couldn't buy what he needed most: information. So he dug it up himself. Johns wanted to distribute mail-order catalogs for upscale U.S. companies to consumers in Mexico. He thought that a large market was there, just waiting to be tapped. However, when he tried to test his theory against hard data, he ran into a big blank.

Johns, who has spent thirty years in international marketing, couldn't find a useful marketing study for Mexico City. Government census reports weren't much help because they give ranges, rather than precise numbers, on family size. So Johns embarked on some primary research. He went into the affluent neighborhoods and found just what he has suspected: satellite dishes, imported sports cars, and women carrying Louis Vuitton handbags. He reached his own conclusions about the target market for his catalogs. "There is no question there is a sense of consumer deprivation in the luxury market of Mexico City," says Johns.

After deciding to pursue his new enterprise, Johns reached another obstacle. His new enterprise, Choices Unlimited, had gotten rights from about twenty U.S. companies to distribute their catalogs to Mexico City. Now he needed mailing lists – and he couldn't find them. Owners of mailing lists do not like to sell them because buyers tend to recycle the lists without authorization. Some of those that are available are expensive and may not include information like zip codes – important barometers of household wealth. Johns asked his local investors for membership lists of the city's exclusive golf clubs. He also obtained directories of the parents of the students at some of the city's exclusive private schools. Johns received these lists for free. "That's called grass-roots marketing intelligence," says Johns.

Source: Diana Solis, "Grass-Roots Marketing Yields Clients in Mexico City," The Wall Street Journal, October 24, 1991, B2.

Data Privacy

The attitude of society toward obtaining and using information must be taken into account. Many societies are increasingly sensitive to the issue of data privacy, and the concern has grown exponentially as a result of e-business. Readily accessible databases may contain information valuable to marketers, but they may also be considered privileged by individuals who have provided the data.

In 1998, the European Union passed a directive that introduces high standards of data privacy to ensure the free flow of data throughout the 15 member states. More importantly, the directive also requires member states to block transmission of data to non-EU countries if these countries do not have domestic legislation, which provides for a level of protection judged as adequate by the European Union. These laws will restrict access to lifestyle information and its

use for segmentation purposes. Therefore, it will remain particularly difficult for direct marketers to obtain international access to voter rolls, birth records, or mortgage information.

Presenting Research Results

The primary focus in the presentation of research results must be communication. In multinational marketing research, communication must take place not only with management at headquarters but also with managers in the local operations. Otherwise, little or no transference of research results will occur, and the benefits of a multinational operation are lost. To minimize time devoted to the reading of reports, the researcher must present results clearly and concisely. In the worldwide operations of a firm, particularly in the communication efforts, lengthy data and analytical demonstrations should be avoided. The goal for the international marketing researcher should be to ensure that the potential for misunderstandings and misinterpretations of spoken or written words is minimized. Both language and cultural differences make this issue an extremely sensitive one in the international marketing research process. As a result, attention must be paid to the translation equivalence of verbal and nonverbal questions that can change in the course of translation. One of this book's authors, for example, used the term "group discussion" in a questionnaire for Russian executives, only to learn that the translated meaning of the term was "political indoctrination session." Care must also be taken to understand the implications of words in different cultures. The availability of data and the techniques used should be mentioned, however, so that subsidiary operations can receive the information on request.

The researcher should also demonstrate in the presentation how research results relate to the original research objective and fit with overall corporate strategy. At least schematically, possibilities for analogous application in other countries or situations should be highlighted. These possibilities should then also be communicated to local subsidiaries, perhaps through a short monthly newsletter. A newsletter format can be used regardless of whether the research process is centralized, coordinated, or decentralized. The only difference will be the person or group providing the input for the newsletter. It is important to maintain such communication in order for the entire organization to learn and to improve its international marketing research capabilities.

Follow-up and Review

Although the research process may be considered to be at an end here, from a managerial perspective, one more stage is important. Now that the research has been carried out, appropriate managerial decisions must be made based on the research, and the organization must absorb the research. For example, if it has been found that a product needs to have certain attributes to sell well in Latin America, the manager must determine whether the product development area is aware of this finding and the degree to which the knowledge is now incorporated into new product projects. Without such follow-up, the role of research tends to become a mere "staff" function, increasingly isolated from corporate "line" activity and lacking major impact on corporate activity. If that is the case, research will diminish and even be disregarded – resulting in an organization at risk.

Chapter 3

THE EXPORT PROCESS

Participation in the international marketplace is increasingly easy as we have seen so far. Doing so can be very rewarding and may turn out to be the key to prosperity both for corporations and employees. Research has found that firms that export grow faster, are more productive, and, equally important, have employees who tend to earn more. But most firms cannot simply jump into international marketing and expect to be successful. New activities in an unfamiliar environment also increase a firm's risk. Therefore, companies must prepare their activities and adjust to the needs and opportunities of international markets in order to become long-term participants. Because of the speed of globalization, however, firms have less and less time to adjust to new market realities. In addition, many firms are exposed to international competition. They must participate in global business, whether they want to or not.

Most firms start their international involvement with exporting, and most exporters are small and medium-sized firms. This chapter will explain the export process by addressing the activities that take place within the firm preparing to enter the international marketplace. It will focus on the basic reasons for exporting and will discuss the change agents, both internal and external, that activate these stimuli. In addition, the concerns and preoccupations of firms as they begin their international marketing operations will be discussed. Finally, a model of the export development process and strategic issues within the firm will be presented, useful both for firms and the employees working for them.

Managers must understand what "sells" to owners and decision-makers in the firm so that they can aid in the move toward internationalization. Current and prospective employees must be able to assess the strategic direction of the firm. An awareness of the inherent attributes that make firms international can aid students in selecting the best environment in which to become active in international marketing.

Motivations to Internationalize

Many researchers have worked on determining the reasons why firms go international. A key factor is apparently the type and quality of management. Managers of exporting firms typically show a higher level of foreign language fluency than do managers of non-exporting firms. Having relatives in other countries also helps.

The international marketing success of firms is related to managerial aspirations, capabilities, and the level of commitment that management is willing to give to the international marketing effort. Simply put, companies that grow internationally are willing to devote organizational resources to the management of business abroad. Because international markets cannot be penetrated overnight – but rather require a vast amount of market-development activity, market research, and sensitivity to foreign market factors – the issue of managerial commitment is a crucial one. This commitment must be able to endure stagnation and sometimes even setbacks and failure.

It is also important that someone has the specific responsibility for exporting. Just one person assigned part time to international marketing activities can begin exploring and entering international markets, but it is crucial to focus the export responsibility on a person.

In most business activities, one factor alone rarely accounts for any given action or outcome. Usually a mixture of factors results in firms taking steps in a given direction. This is true of internationalization; motivation consists of a variety of factors both pushing and pulling firms along the international path. The major motivations to internationalize are differentiated into proactive and reactive motivations. Proactive motivations represent stimuli to attempt strategic change. Reactive motivations influence firms that are responsive to environmental changes and adjust to them by changing their activities over time. In other words, proactive firms go international because they want to, while reactive ones go international because they have to.

Proactive Motivations

The most stimulating proactive motivation to become involved in international marketing is the profit advantage. Management may perceive international sales as a potential source of higher profit margins or of more added-on profits. Of course, the perceived profitability, when planning to enter into international markets, is often quite different from profitability actually attained. The initial profitability of international start-up operations may be quite low, mainly due to relatively high start-up costs such as market research, marketing, travel, retrofitting products to meet foreign buyer and consumer needs, increased product adaptation and higher shipping costs. The gap between perception and reality may be particularly large when the firm has not previously engaged in international market activities. Despite thorough planning, influences over which individuals have no control often disrupt profit projections and expectations. For example, a sudden shift in exchange rates may drastically alter profit forecasts even though they were based on careful market evaluation.

A second major stimulus results either from unique products or from a technological advantage. A firm may produce goods or services that are not widely available from international competitors or may have made technological advances in a specialized field. Again, real and perceived advantages should be differentiated. Many firms believe that theirs are unique products or services, even though this may not be the case in the international market. If products or technology are unique, however, they can certainly provide a competitive edge and result in major business success abroad. One issue to consider is how long such a technological or product advantage will continue. Historically, a firm with a competitive edge could count on being the sole supplier to international markets for years to come. This type of advantage, however, has shrunk dramatically because of competing technologies, a frequent lack of intellectual property rights protection, and much quicker dissemination of information in the Internet age. Today, expanding opportunities for buyers and suppliers to find each other on the Internet, global strategic alliances, hyper competition and resulting lower profit margins and improved speed of delivery have encroached on the sanctity of local, long-held and heretofore impenetrable alliances and buyer-supplier relationships.

Exclusive market information is another proactive stimulus. This includes knowledge about foreign customers, marketplaces, or market situations that is not widely shared by other firms.

Such special knowledge may result from particular insights based on a firm's international research, special contacts a firm may have, or simply being in the right place at the right time (for example, recognizing a good business situation during a vacation trip). Although exclusivity can serve well as an initial stimulus for international marketing activities, it will rarely provide prolonged motivation because competitors – at least in the medium run – can be expected to catch up with the information advantage of the firm, particularly in light of the growing ease of global information access.

Managerial urge is a motivation that reflects the desire, drive, and enthusiasm of management toward international marketing activities. This enthusiasm can exist simply because managers like to be part of a firm that operates internationally. (It sounds impressive.) Further, it can often provide a good reason for international travel – for example, to call on a major customer in the Bahamas during a cold winter month. Often, however, the managerial urge to internationalize is simply the reflection of general entrepreneurial motivation – of a desire for continuous growth and market expansion.

Tax benefits can also play a major motivating role. Many countries offer tax concessions to their firms in order to encourage export activities. Such tax benefits allow the firm either to offer its products at a lower cost in foreign markets or to accumulate a higher profit, and therefore tie in closely with the profit motivation.

A final major proactive motivation is economies of scale. Becoming a participant in international marketing activities may enable the firm to increase its output and therefore slide down more rapidly on the learning curve. Ever since research has shown that a doubling of output can reduce production costs up to 30 percent, this effect has been very much sought. Increased production for the international market can therefore also help in reducing the cost of production for domestic sales and make the firm more competitive domestically as well. This effect often results in the seeking of market share as a primary objective of firms. At an initial level of internationalization this may mean an increased search for export markets; later on, it can result in the opening of foreign subsidiaries and foreign production facilities.

Reactive Motivations

A second type of motivation, primarily characterized as reactive, influences firms to respond to changes and pressures in the business environment rather than attempt to blaze trails.

One reactive motivation is the response to competitive pressures. A firm may fear losing domestic market share to competing firms that have benefited from the effect of the economies of scale gained by international marketing activities. Further, it may fear losing foreign markets permanently to domestic competitors that decide to focus on these markets. Observing that domestic competitors are beginning to internationalize, and knowing that market share is most easily retained by the firm that obtains it initially, firms frequently enter the international market head over heels. Quick entry may result in similarly quick withdrawal once the firm recognizes that its preparation has been insufficient.

Similarly, overproduction can serve as a major reactive motivation. Historically, during downturns in the domestic business cycle, markets abroad were initially unaffected because of time lags. They provided an ideal outlet for inventories that were significantly above desired

levels. Frequently, however, international market expansion motivated by overproduction did not represent full commitment by management, but rather *safety-valve activity*. Rather than develop an international marketing perspective by adjusting the marketing mix to needs abroad, firms using this strategy typically are short-term oriented. Often, export sales are stimulated via short-term price cuts. As soon as the domestic market demand returns to previous levels, international marketing activities are curtailed or even terminated. Firms that have used such a strategy once may encounter difficulties when trying to employ it again because many foreign customers are not interested in temporary or sporadic business relationships. This reaction from abroad, together with the lessons learned in past recessions – which highlighted the danger of large inventories – and the fact that the major industrial economies appear to be increasingly synchronized, may well lead to a decrease in the importance of this motivation over time.

Stable or declining domestic sales, whether measured in sales volume or market share, have a similar motivating effect. Products marketed by the firm domestically may be at the declining stage of the product life cycle. Instead of attempting a push-back of the life cycle process domestically, or in addition to such an effort, firms may opt to prolong the product life cycle by expanding the market. In the past, such efforts often met with success because customers in many countries only gradually reached a level of need and sophistication already attained by customers in industrialized nations. Increasingly, however, if lag times exist at all in foreign markets, they are quite short. Nevertheless, this motivation is still a valid one, particularly in the context of developing nations, which often still have very good use for products for which the demand in the industrialized world is already on the decline.

Excess capacity can also be a powerful motivation. If equipment for production is not fully utilized, firms may see expansion into the international market as an ideal possibility for achieving broader distribution of fixed costs. Alternatively, if all fixed costs are assigned to domestic production, the firm can penetrate international markets with a pricing scheme that focuses mainly on variable costs. Although such a strategy may be useful in the short term, it may result in the offering of products abroad at a cost lower than at home, which in turn may trigger dumping charges. In the long run, fixed costs have to be recovered to ensure replacement of production equipment that growing international marketing activities may overtax. Market penetration strategy based on variable cost alone is therefore not feasible over the long term.

The reactive motivation of a saturated domestic market is similar in results to that of declining domestic sales. Again, firms in this situation can use the international market to prolong the life cycle of their product and of their organization.

A final major reactive motivation is proximity to customers and ports. Physical closeness to the international market can often play a major role in the export activities of a firm. For example, Mexican firms established near the U.S. border may not even perceive of their market activities in the United States as international marketing. Rather, they are simply an extension of domestic activities, without any particular attention being paid to the fact that some of the products go abroad. Except for some firms close to the Canadian or Mexican border, however, this factor is much less prevalent in North America than in many other countries. Unlike European firms, most American firms are situated far away from foreign countries. Considering the radius of domestic activity of many U.S. firms, which may be 100 miles. When one applies such a

radius to Europe, most European firms automatically become international marketers simply because their neighbors are so close. As an example, a European company operating in Belgium need go only 50 miles to be in multiple foreign markets.

In this context, the concept of psychic or *psychological distance* needs to be understood. Geographic closeness to foreign markets may not necessarily translate into real or perceived closeness to the foreign customer. Sometimes cultural variables, legal factors, and other societal norms make a foreign market that is geographically close seem psychologically distant. For example, research has shown that U.S. firms perceive Canada to be much closer psychologically than Mexico. Even England, mainly because of the similarity in language, is perceived by many U.S. firms to be much closer than Mexico or other Latin American countries, despite the geographic distances. However, in light of the reduction of trade barriers as a result of the North American Free Trade Agreement (NAFTA), and a growing proportion of the U.S. population with Hispanic background, this long-standing perception may well change rapidly.

It is important to remember two major issues in the context of psychological distance. First off, some of the distance seen by firms is based on perception rather than reality. For example, Canadian firms may view the U.S. market simply as an extension of their home market due to so many superficial similarities, just as many U.S. firms may see the United Kingdom as psychologically very close due to the similarity in language. However, the attitudes and values of managers and customers may vary substantially between markets. Too much of a focus on the similarities may let the firm lose sight of the differences. At the same time, closer psychological proximity does make it easier for firms to enter markets. Therefore, for firms new to international marketing it may be advantageous to begin this new activity by entering the psychologically closer markets first in order to gather experience before venturing into markets that are farther away. Such psychological ties are not unchanging. Just consider how changes in the population composition of Texas or California will gradually make doing business with Mexico, Latin America and Asia much easier.

An overall contemplation of these motivations should also consider the following factors. First, firms that are most successful in exporting are motivated by proactive – that is, firm-internal – factors. Second, the motivations of firms do not seem to shift dramatically over the short term but are rather stable. For the student who seeks involvement in international markets and searches for firms that provide the most adequate environment, an important strategic consideration should be whether a firm is proactive or reactive.

The proactive firm is also more likely to be service oriented than are reactive firms. Further, it is frequently more marketing and strategy oriented than reactive firms, which have as their major concern operational issues. The clearest differentiation between the two types of firms can probably be made by determining how they initially entered international markets. Proactive firms are more likely to solicit their first international marketing order, whereas reactive firms frequently begin international marketing activities after receiving an unsolicited order from abroad.

All of these considerations lead to the questions of how the activities of firms can be changed and, ideally, how the student and future employee can be part of this change.

Change Agents

For change to take place, someone or something within the firm must initiate it and shepherd it through to implementation. This intervening individual or variable is here called a change agent. Change agents in the internationalization process are shown in Table 2.

TABLE 2
Change Agents in the Internationalization Process

Firm Internal	Firm External
Enlightened management	Demand
New management	Other firms
Significant internal event	Distributors
	Banks
	Chambers of commerce
	Export agents
	Governmental activities

Internal Change Agents

A primary change agent internal to the firm is enlightened management. Such enlightenment can occur when the current management of a firm discovers and understands the value of international markets and decides to pursue international marketing opportunities. Trigger factors frequently are foreign travel, during which new business opportunities are discovered, or information is received that leads management to believe that such opportunities exist. Managers who have lived abroad, stay in touch with relatives abroad, have learned foreign languages, or are particularly interested in foreign cultures are likely, sooner rather than later, to investigate whether international marketing opportunities would be appropriate for their firm. Key managerial characteristics that have been shown to affect firms' export involvement are shown in Table 3.

TABLE 3
Key Managerial Characteristics Affecting Export Involvement

Education
International Exposure
Expertise
International Orientation
Commitment

A second set of major internal change agents consists of new management or new employees. Often, managers enter a firm having already had some international marketing experience in previous positions and try to use this experience to further the business activities of their new firm. Also, in developing their goals in the new job, managers frequently consider an entirely new set of options for growth and expansion, one of which may be international marketing activities.

A significant internal event can be another major change agent. A new employee who firmly believes that the firm should undertake international marketing may find ways to motivate management. The development of a new product useful abroad can serve as such an event, as can the receipt of new information about current product uses. As an example, a manufacturer of hospital beds learned that beds it was selling domestically were being resold in a foreign country. Further, the beds it sold for \$600 each were resold overseas for approximately \$1,300. This new piece of information served to trigger a strong interest on the part of the company's management in entering international markets.

In small and medium-sized firms (firms with fewer than 250 employees) the initial decision to export is usually made by the president, with substantial input provided by the marketing department. The carrying out of the decision – that is, the initiation of actual international marketing activities and the implementation of these activities – is then primarily the responsibility of marketing personnel. Only in the final decision stage of evaluating international marketing activities does the major emphasis rest again with the president of the firm. In order to influence a firm internally, it therefore appears that the major emphasis should be placed first on convincing the president to enter the international marketplace and then on convincing the marketing department that international marketing is an important activity. Conversely, the marketing department is a good place to be if one wants to become active in international business.

External Change Agents

The primary outside influence on a firm's decision to become international is foreign demand. Expressions of such demand through, for example, inquiries from abroad have a powerful effect on initial interest in entering the international marketplace. Unsolicited orders from abroad are the one major factor that encourages firms to begin exporting – even though firms increasingly have come to recognize that they must take the initiative in getting started in exporting.

Another major outside influence is the statements and actions of other firms in the same industry. Information that an executive in a competing firm considers international markets to be valuable and worthwhile to develop easily captures the attention of management. Such statements not only have source credibility but also are viewed with a certain amount of fear because a successful competitor may eventually infringe on the firm's business. Formal and informal meetings among managers from different firms at trade association meetings, conventions, or business roundtables therefore often serve as a major change agent.

A third, quite influential, change agent consists of distributors. Often, distributors of firms are engaged, through some of their other business activities, in international marketing. To increase their international distribution volume, they encourage purely domestic firms also to participate in the international market. This is true not only for exports but also for imports. For example, a major customer of a manufacturing firm may find that materials available from abroad, if used in the domestic production process, would make the product available at lower cost. In such instances, the customer may approach the supplier and strongly encourage foreign sourcing. Many firms, although they may not like the suggestion, are flexible when they face the potential loss of a major account.

Banks and other service firms, such as accountants, can serve as major change agents by alerting domestic clients to international opportunities. Although these service providers historically follow their major multinational clients abroad, increasingly they are establishing a foreign presence. They frequently work with domestic clients on expanding their market reach in the hope that their services will be used for any international transactions that result.

Chambers of commerce and other business associations that interact with firms locally can frequently heighten international marketing interests. In most instances, these organizations function only as secondary intermediaries, because true change is brought about by the presence and encouragement of other managers.

Export agents are experienced in bringing about an international marketing orientation through two major kinds of activities. Some agents actively seek new international business activities. They visit firms and encourage them to penetrate international markets. In the past, firms often paid a basic fee to such agents and, subsequent to any sales, a commission on these sales. The incidence of such business transactions, however, is decreasing because fewer and fewer firms are willing to pay up-front fees. Agents often have limited expertise and may be knowledgeable in only some markets or some product lines. Second, agents take on a product to generate a profit for themselves. Either they are quite selective in choosing customers and new products or they are not able to provide a substantial enough international marketing effort to be successful. In addition, agents charge directly or indirectly for all of the marketing functions they perform, which often may make international marketing efforts less profitable than originally expected.

Governmental efforts on the national or local level can also serve as a major change agent. In light of the contributions exports make to growth, employment, and tax revenue, governments increasingly are becoming active in encouraging and supporting exports. The *International Marketplace 4* explains how Ghana goes about helping firms to export.

The International Marketplace 4

The Ghana Export School

For developing nations, exporting is often a key element in the process of serious economic reform. One case in point is the West African nation of Ghana. In an effort to diversify and promote exports, Ghana implemented a series of policy and institutional reforms. To expand the country's exports, a number of government goals were formulated: the need for increased knowledge of export opportunities, greater familiarity with export techniques, and a heightened export consciousness among current and potential export enterprises.

To meet these goals, a well-organized program of foreign trade training was called for, which could best be provided by a special school created for that purpose. A national survey showed that several existing training institutions were providing some programs in trade-related topics, but very few offered practical export marketing courses on a regular basis for business executives and trade promotion officials. Therefore, the Ghana Export Promotion Council established the Ghana Export School (GES) with the following objectives:

- Generate export consciousness in the business sector, which had traditionally been import oriented;
- Create an awareness of the importance of exports in official circles to obtain positive responses from the government;
- Provide the business community with the necessary techniques for developing and managing export business efficiency;
- Spread the results of such training throughout the export community to as many companies as possible; and
- Provide a forum for discussing, evaluating, and finding solutions to export development problems in the country.

The Ghana Export School is a particularly innovative experiment, as it has no campus, training facilities, or a faculty of its own. It draws its speakers and course developers from business and government, uses the facilities of existing training institutions, and develops its own training materials based on local experience. By cooperating closely with the business sector and established training institutions, the school is able to provide a wide range of practical seminars and workshops in the foreign trade sector. It does so with minimum investment, tailored to the needs of the export community.

The GES offers approximately twenty training events annually. They cover a broad spectrum of subjects dealing with both techniques and products, reflecting exporters' training needs as well as the country's efforts to diversify its export product mix. The school holds workshops on mushroom production for export, packaging and labeling, the role of banks in export, export marketing for women entrepreneurs, and export production management for village enterprises.

The school has already trained nearly 1,600 government officials, export executives, and future exporters. It is expected that approximately 1,000 persons will be trained annually in the next several years. Besides serving as a means to upgrade export skills, the training programs have increased export consciousness in the country and have improved export performance. Through the training, exporters have been able to improve the quality and presentation of their products, which has resulted in a significant drop in the number of export goods rejected by both the Standards Institute in Ghana and importers of foreign markets.

Both the concept and the role of the Ghana Export School have been firmly accepted by the export community, academia, and trade-supporting institutions. A significant and sustainable contribution to the development of human resources in the foreign trade sector of Ghana has been achieved.

Source: Claude Cellich and Kwesi Ahwoi, "The Ghana Export School: Success with Minimum Investment," *International Trade Forum* (January-March 1992): 20-27.

In the United States, the Department of Commerce is particularly involved in encouraging exports. Its district offices are charged with increasing the international marketing activities of U.S. firms. Frequently, district officers, with the help of voluntary groups such as district export councils, visit firms and attempt to analyze their international marketing opportunities. Such activities raise questions about market and product specialization. Only rarely will Department of Commerce employees have expertise in all areas. However, they can draw on the vast resources of the department such as industry expertise of exports or the data of STAT-USA® to provide more information to an interested firm. For a firm new to exporting, Department of Commerce activities can be quite useful, particularly when searching for information services and buyer contacts.

Increasingly, other governmental entities are also actively encouraging firms to participate in the international market. This takes place primarily on the state and local level. Many states have formed economic development agencies that assist companies by providing information, displaying products abroad, and sometimes even helping with financing. Trade missions and similar activities are also being carried out by some of the larger cities. Although it is difficult to measure the effects of these efforts, it appears that due to their closeness to firms, such state and local government authorities can become a major factor in influencing firms to go international. In addition, assistance is also provided for the difficult financing issue. The *International Marketplace 5* presents some of the help available.

The International Marketplace 5

Small Exporters Getting Help

The United States Export-Import Bank, known as Ex-Im Bank, is responsible for financing and promoting U.S. exports. In the recent past, however, it has been assailed for neglecting small exporters. As an answer to its critics, Ex-Im Bank is now taking steps to increase loans to smaller enterprises.

One example of the government agency's improvements is the loosened collateral requirement it now has for its working capital loan guarantee program. Companies use this program to borrow money for building export-related inventory and buying raw materials. Previously, collateral was measured mainly through the value of inventory. Now companies may include certain costs, such as engineering, design, and other overhead expenses, in the collateral base, allowing for a greater amount of borrowing. Smaller companies with limited financial resources will especially benefit from this change, according to an EX-IM Bank director.

The working capital program is already a strong example of the agency's commitment to smaller exporters. Paperwork for small business loans has been decreased and Ex-Im Bank has begun a marketing effort to small business lenders. In the fiscal year ending September 30, 1995, the program guaranteed 204 loans worth \$306 million. This compares with 155 loans worth \$180 million in fiscal year 1994. Much of the increase came from small companies. In 1995, small business transactions accounted for about 80 percent of the deals made and nearly 20 percent of their dollar volume.

Even programs originally intended for large corporations are now widely used by small exporters. One example is the tied-aid program, started in 1994, which matches low-rate financing offered to foreign companies by their governments. Originally expected to benefit primarily large companies, about half of the tied-aid offers made by Ex-Im Bank have been made on behalf of small companies. For example, U.S.-China Industrial Exchange, Inc., a small Maryland exporter, received a tied-aid loan to sell more than \$8 million in medical equipment to China. A competitor, armed with tied-aid from the Austrian government, almost won the contract. "Unless we were also able to provide some favorable term-financing, we would have lost the business," said the company's president.

Small companies increasingly make use of the agency's other programs, including credit insurance that protects American exporters and their banks against nonpayment from overseas buyers. In the last fiscal year, Ex-Im Bank authorized \$1.67 billion in such insurance to small companies. The agency will continue to look for ways to attract small business customers, less so to deflect criticism but rather to support the growing number of small U.S. companies that are exporting and supporting jobs.

Source: Stephanie Mehta, "Export-Import Bank Acts to Boost Help to Small Firms," *The Wall Street Journal*, February 8, 1996, B2.

Internationalization Stages

Normally, internationalization is a gradual process. Only rarely is a firm formed expressly to engage in international marketing activities, particularly in a market as large as the United States. In small markets, however, firms may very well be born global, founded for the explicit purpose of marketing abroad because of the recognized importance of international marketing and because the domestic economy may be too small to support their activities. Research conducted in Israel, for example, has shown that such innate, or start-up, exporters may have a distinct role to play in an economy's international trade involvement. Nevertheless, in most instances, firms begin their operations in the domestic market. Over time, some of them become interested in the international market.

The development of this interest typically appears to proceed in several stages. In each one of these stages, firms are measurably different in their capabilities, problems, and needs. In looking at the internationalization process, one finds that initially the vast majority of firms are not at all interested in the international marketplace. Frequently, management will not even fill an unsolicited export order if one is received. Should unsolicited orders or other international market stimuli continue over time, however, a firm may gradually become a *partially interested exporter*. Management will then fill unsolicited export orders.

Prime candidates among firms to make this transition from uninterested to partially interested are those companies that have a track record of domestic market expansion. In the next stage, the firm gradually begins to explore international markets, and management is willing to consider the feasibility of exporting. After this *exploratory stage*, the firm becomes an *experimental exporter*, usually to psychologically close countries. However, management is still far from being committed to international marketing activities.

At the next stage, the firm evaluates the impact that exporting has had on its general activities. Here, of course, the possibility exists that a firm will be disappointed with its international market performance and will withdraw from these activities. On the other hand, frequently, it will continue to exist as an experienced small exporter. The final stage of this process is that of *export adaptation*. Here a firm is an experienced exporter to a particular country and adjusts its activities to changing exchange rates, tariffs, and other variables. Management is ready to explore the feasibility of exporting to additional countries that are psychologically farther away. Frequently, this level of adaptation is reached once export transactions comprise 15 percent of sales volume. In these instances, the firm can be considered a strategic participant in the international market.

Internationalization Concerns

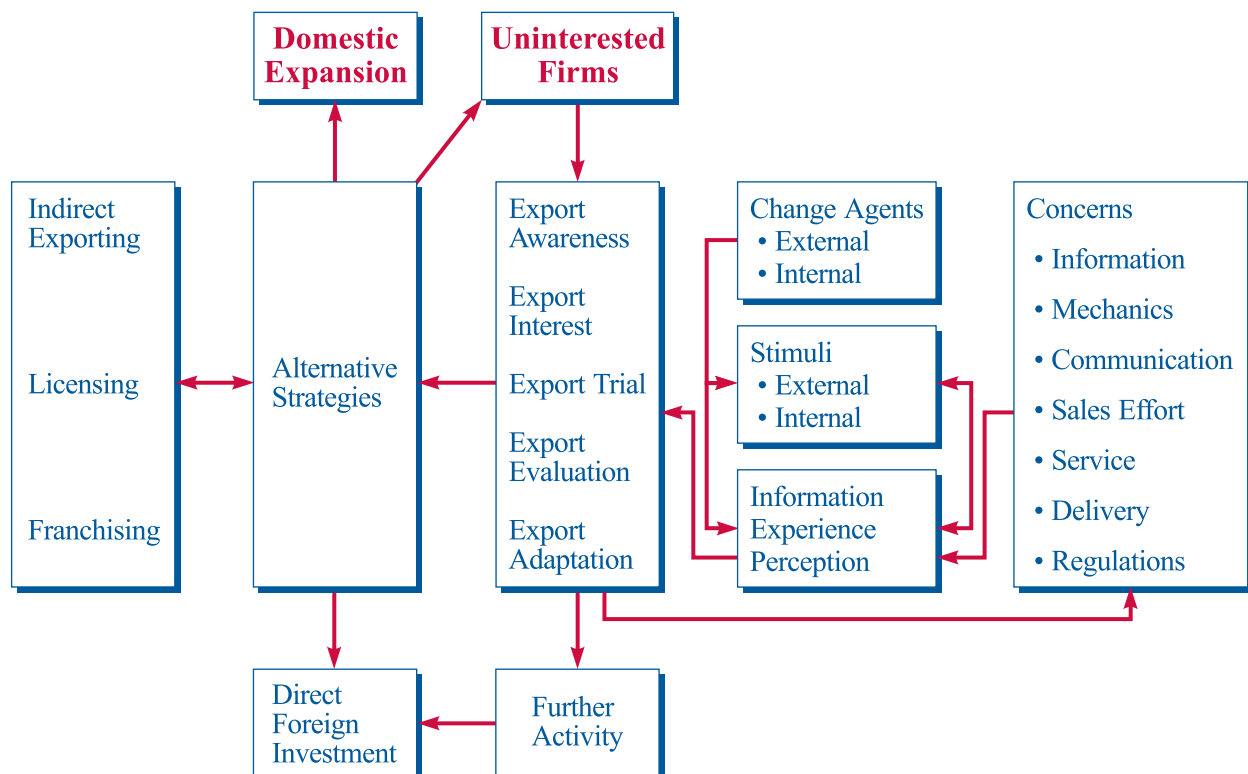
As can be expected, firms that enter the international marketplace are faced with a host of new challenges. The key issues for all firms are financing, sales and communication.

Firms at an export awareness stage – partially interested in the international market – are primarily concerned with operational matters such as information flow and the mechanics of carrying out international business transactions. They understand that a totally new body of knowledge and expertise is needed and try to acquire it. Companies that have already had some exposure to international markets begin to think about tactical marketing issues such as commu-

nication and sales effort. Finally, firms that have reached the export adaptation phase are mainly strategy and service oriented, which is to say that they worry about longer-range issues such as service delivery and regulatory changes. Utilizing the traditional marketing concept, one can therefore recognize that increased sophistication in international markets translates into increased application of marketing knowledge on the part of firms. The more they become active in international markets, the more firms recognize that a marketing orientation internationally is just as essential as it is in the domestic market.

Linking the various decision components and characteristics discussed so far facilitates an understanding of the process that a firm must undergo in its internationalization efforts. Figure 2 presents a model of the internationalization process, with a particular focus on exporting. The model demonstrates the interaction between components and shows how a firm gradually grows into becoming a full participant in the global arena. With the help of this model, both management and the prospective employee can determine the firm's stage in the export development process and the changes needed to attain continued progress. To highlight the key implications of the different internationalization stages, the following profiles of companies delineate some of the more outstanding characteristics of firms in each one of these stages.

FIGURE 2
A Model of the Export Development Process



Stage 1: The Completely Uninterested Firm

Most firms at this stage have an annual sales volume of less than \$5 million and fewer than one hundred employees. The main decision-maker is the president. The firm does not export and does not plan to do so in the future. Management is not exploring the possibility of exporting nor will unsolicited export orders be filled. Management tends to believe that exports will not contribute to the firm's profits or growth. To move forward in the international arena the firm will need to become more aware of the benefits of exporting and learn about the size and profitability of international markets.

Stage 2: The Partially Interested Firm

Most of these firms have an annual sales volume below \$5 million and fewer than one hundred employees. The current average annual export volume is below \$200,000, which is sold to fewer than ten customers. One-quarter of the firms have actively sought their first export order. Almost half of the firms started exporting to a psychologically close country, to which they currently ship half of their exports. The president of the firm has the most input in the export decision; the marketing manager is a close second. Management knows that the firm has exportable products and tries to fill export orders. Management tends to believe that exporting may be a desirable activity and undertakes some exploration of export possibilities. Management is uncertain whether the firm will export more in the future and whether exports will contribute to the firm's growth and profits. The main motivations for exporting are a unique product and profit advantage.

Problems in the export effort of the firm are financing, information on business practices, communication, the providing of technical advice, and sales effort. Firms believe that outsiders can be of substantial help to their export effort by assisting with obtaining financial information, financing, documentation handling, communication, and funds transfer. The firm mainly needs help with the mechanics of exporting.

Stage 3: The Exploring Firm

Most firms in this stage have an annual sales volume below \$10 million and fewer than one hundred employees. These firms export about \$500,000 worth of merchandise to fewer than twenty customers. More than one-third of the firms have actively sought the first export order, which mainly originated from a psychologically close country that absorbs about one-third of their current exports.

In management, the president is the major export decision-maker. The desirability of exporting is well known, as is the fact that the firm has exportable products. The firm is planning on exporting and is actively exploring export possibilities. The potential contribution of exporting to the firm's growth and profits is acknowledged, but past export profits have not yet met expectations. Having a unique product and obtaining a profit advantage are principal motivating factors for exporting. Important problems are encountered in the areas of communication, sales effort, marketing information gathering, information on business practices, and obtaining financial information.

Outside assistance is seen as valuable in the areas of obtaining financial information, information on business practices, marketing information gathering, documentation handling, and communication. Practical help with export implementation is sought by firms in this stage.

Stage 4: Experimental Exporter

Most firms in this category have an annual sales volume of less than \$5 million and have fewer than one hundred employees. Average exports are about \$750,000 and are shipped to about ten customers. One-third of the firms actively sought their first export order, which came mostly from a psychologically close country, where one-third of their current exports go.

The president is the major decision-maker. Exporting is seen favorably, but little active exploration of export possibilities takes place. Principal motivating factors for exporting are a unique product, technological advantage, and profit advantage.

Important exporting problems are seen in the areas of sales effort, obtaining financial information, physical product adaptation, marketing information gathering, and information on business practices.

Outside assistance is seen as somewhat helpful in the areas of marketing information gathering, information on business practices, handling documentation, obtaining financial information, and communication. Assistance is needed with product adaptation.

Stage 5: The Experienced Small Exporter

Average annual sales volume is below \$10 million. Most firms employ fewer than one hundred people. The export volume is slightly below \$1.5 million and is shipped to an average of forty customers. Four out of ten firms actively sought their first export order. One-third of the firms started their exporting to a psychologically close country, to which they ship one-fourth of their current exports.

The president is the major decision-maker, with strong input from the marketing manager. Exporting is seen in a very favorable light. Only the past profitability of export activities is called into question. Profit advantage, a unique product, managerial urge, and a technological advantage are the main factors motivating exporting. Problems encountered in exporting are primarily in the areas of communication, sales effort, marketing information gathering, obtaining financial information, and handling documentation. Outside assistance is seen as somewhat helpful in the areas of gathering information on business practices, marketing information gathering, obtaining financial information, communication, and financing.

Stage 6: The Experienced Larger Exporter

Most firms have an average annual sales volume below \$50 million and employ between 100 and 250 persons. Average annual export volume is about \$6 million, shipped to about 140 customers. About one-half of the firms actively sought their first export order. One-fifth of the firms began their export activities with a psychologically close country, to which they now ship only a small portion of their exports.

The president and the marketing manager are the main export decision-makers in the firm. Exporting is seen in a very favorable light, with the firm planning to be continuously active in the future. Main motivating factors for exporting are profit advantage, technological advantage, competitive pressures, tax benefits, a unique product, and managerial urge. Important problems are encountered in the areas of communication, sales effort, marketing information gathering, the providing of repair service, and information on business practices. Outside assistance is seen as possibly helpful in the areas of marketing information gathering, information on business practices, obtaining financial information, financing, and funds transfer. Of key concern is the providing of customer service internationally.

Corporate Strategy and Exporting

As a firm moves through the internationalization stages, unusual things can happen to both risk and profit. In light of the gradual development of expertise, the many concerns about engaging in a new activity, and a firm's uncertainty with the new environment it is about to enter, management's perception of risk exposure grows. Domestically, the firm has gradually learned about the market and therefore managed to decrease its risk. In the course of new international expansion, the firm now encounters new and unfamiliar factors, exposing it to increased risk. At the same time, because of the investment needs required by a serious export effort, immediate profit performance may slip. In the longer term, increasing familiarity with international markets and the benefits of serving diversified markets will decrease the firm's risk below the previous "domestic only" level and increase profitability as well. For the most part, the more advanced and experienced the firm, the lower the perception of the costs and risks of exporting and the higher the perceived benefits. In the short term, however, managers may face an unusual, and perhaps unacceptable, situation: rising risk accompanied by decreasing profitability.

Understanding the internationalization stages together with the behavior of risk and profitability can help management overcome the seemingly prohibitive cost of going international by understanding that the negative developments are only short-term. Yet, export success does require the firm to be a risk taker, and firms must realize that satisfactory export performance will take time. This satisfactory performance can be achieved in three ways: export effectiveness, efficiency, and competitive strength. Effectiveness is characterized by the acquisition of market share abroad and by increased sales. Efficiency is manifested later by rising profitability. Competitive strength refers then to the firm's position compared to other firms in the industry, and is, due to the benefits of international market experience, likely to grow. The international marketer must appreciate the time and performance dimensions associated with going abroad in order to overcome short-term setbacks for the sake of long-term success.

EXPERIENTIAL EXERCISES FOR A COMPANION TO INTERNATIONAL MARKETING

STAT-USA® refers to materials which can be found on the www.statusa.gov web site. U.S. export and import statistics can be found in “USA Trade Online,” a product of the Foreign Trade Division U.S. Bureau of the Census. A small fee is charged for these data. Please consult your librarian, or, call STAT-USA®, U.S. Department of Commerce telephone number 1-800-STAT-USA® (1-800-782-8872) or 202-482-1986. INTERNATIONAL MARKETING refers to the book INTERNATIONAL MARKETING 6th edition, by Michael R. Czinkota and Ilkka A. Ronkainen where substantial elaborations on the respective topics and additional training exercises can be found. The book is published by Harcourt College Publishers and can be ordered from Harcourt Inc. 6277 Sea Harbor Drive, Orlando, FL 32887-6777. Call (407) 345-4060 or email to: hbintl@harcourtbrace.com

A Brief Guide to the STAT-USA® Internet Database

STAT-USA®, a federal office, is the electronic information dissemination arm of the Economics and Statistics Administration of the U.S. Department of Commerce. As a result of the Omnibus Trade and Competitiveness Act of 1988, STAT-USA® also is the administrator of the National Trade Data Bank (NTDB) for the federal executive branch. In these roles, STAT-USA® is the official one-stop source for electronic information on international trade data, business and economic information from the federal government. Over forty federal agencies use STAT-USA® as their official disseminator for their economic releases and reports. STAT-USA® is the only place where it is possible to simultaneously search for international and domestic economic information across multiple federal sources. Currently, STAT-USA®'s principal products and services include STAT-USA®/Internet www.stat-usa.gov, the National Trade Data Bank (NTDB)® CD-ROM, and USATRADEONLINE, under partnership with the U.S. Bureau of the Census.

Objectives of the “The STAT-USA® Companion to International Marketing”

The objective of this project is to permit users to more effectively use the information in the STAT-USA® Internet database. This companion is intended to contribute to implementing STAT-USA®'s vision statement: “STAT-USA® will produce, distribute, and assist other government agencies in producing world class business, economic, and government information products that the American business and public can use to make intelligent and informed decisions.”

Over the years, STAT-USA® has sought to reach potential users of its database. In recent years, because of limited resources, efforts were primarily directed toward U.S. exporters. While STAT-USA® presently has many subscribers it concluded that a “guide” to the Internet database would be a valuable tool to better assist U.S. businesses in their marketing research and analysis. However, because many of STAT-USA®'s users also are U.S. colleges and universities, the companion is additionally directed toward assisting these institutions in the application of STAT-USA® data for research, analysis, instructional and general purposes. The objective is to develop and include instructional materials on the use of STAT-USA®/Internet to assist faculty members of colleges and universities teaching subjects such as export development, international business, and international marketing.

The educational materials developed in this project are also intended to fulfill STAT-USA®'s commitment under a broader departmental initiative to assist minority serving institutions. On September 23, 1999, the U.S. Department of Commerce conducted a conference to explore ways to build relationships and expand opportunities with minority serving institutions. At that conference, the Economic and Statistics Administration, STAT-USA®, committed itself to provide its STAT-USA®/Internet database to all minority serving institutions. Minority serving institutions are defined as historically Black colleges and universities, tribal colleges and universities, and institutions with significant Hispanic student populations.

STAT-USA®: The Site

STAT-USA® plays a vital role in Commerce's mission by delivering valuable economic, business, and trade information to the public. Its flagship service, STAT-USA®/ Internet (www.stat-usa.gov) delivers thousands of documents to U.S. citizens every day. Banks, brokerage firms, economic forecasters, and individual investors rely on federal economic news distributed by this service. Thousands of U.S. exporters rely on the comprehensive trade data bank maintained by STAT-USA®, and the world is literally at their fingertips through STAT-USA®/Internet. Hundreds of college and university professors and students are using STAT-USA®/Internet in their curriculum and research, and state and local governments are using it in their efforts to promote economic development through international trade.

Since 1985, when STAT-USA® and its predecessor agency initiated electronic dissemination of information, STAT-USA® has promised to "produce, distribute, and assist other government agencies in producing world-class business, economic, and government information services." Today, STAT-USA® serves over 10,000 direct customers ranging from libraries, universities, businesses, other government agencies, and individuals. However, this number is deceiving. One customer may be an entire university campus serving thousands of students and faculty. Also STAT-USA® has established an outstanding relationship with the Federal Depository Libraries (FDL); its services are extensively used in over 1,200 FDLs located throughout the country. Any citizen can walk into the library and use STAT-USA® services at no charge.

STAT-USA® is entirely fee funded; there are no costs to the taxpayers. With the approval of the U.S. Congress, STAT-USA® was chartered in 1994 to operate as a revolving fund, paying for its activities through subscription charges to those who take advantage of the service. STAT-USA® was challenged to transform itself from an organization funded by appropriations to one that must operate in a competitive market environment like any other business.

STAT-USA® partners with 13 other federal departments or agencies, as mandated by the Omnibus Trade and Competitiveness Act of 1988, to provide federal data to the public. These departments and agencies are: Agriculture, Commerce, Defense, Labor, Treasury, State, Office of Management and Budget, Central Intelligence, Federal Reserve Board, International Trade Commission, Export-Import Bank, and the Overseas Private Investment Corporation. Also the Small Business Administration and the Department of Energy participate on a voluntary basis.

STAT-USA® views itself as a tool for the executive branch to electronically deliver timely and accurate international trade, business, and economic data. Presently, over 40 agencies, branches, divisions, offices, or other units of the federal government supply data found on STAT-USA®. The STAT-USA® partnerships with these organizations are vital to an effective one-stop source for federal data.

STAT-USA/Internet® Site (www.stat-usa.gov) and Content

STAT-USA/Internet® is the site for the U.S. business, economic, and trade community, providing authoritative information from the federal government. The structure of the site remains consistent with the Omnibus Trade and Competitiveness Act of 1988. The site is divided into two sections: the State of the Nation, and GLOBUS and the NTDB, the subject of this companion.

While the State of the Nation segment is not covered in the companion, it is briefly mentioned here only to provide the reader with a short description of the information that can be obtained in this section. The State of the Nation provides current and historical economic and financial releases and economic data. Taken together, these data and information provide current information on the direction of the U.S. economy. Broad categories of data found in State of the Nation include; the scheduled federal economic releases of the day, the composite indexes of leading, coincident, and lagging indicators (published by the Conference Board), and general economic indicators, as well as current releases in the areas of: housing and construction, employment, manufacturing and industry, monetary statistics, and economic policy. The State of the Nation library contains historical economic data.

This “Companion” primarily addresses the information in the GLOBUS and National Trade Data Bank Section that provides information on current and historical trade-related news releases, international market research, trade opportunities and country analysis. These general categories include: the daily, business and trade leads from the U.S. Department of Agriculture, Defense Logistics Agencies, Commerce Business Daily, and the United Nations; the Federal Reserve Board’s current exchange rates; market and country research reports from the U.S. Foreign and Commercial Office, Department of Agriculture, and the State Department; and the World Factbook and the Cuba Report from the Central Intelligence Agency. The GLOBUS and National Trade Data Bank Section includes “The International Trade Library” that contains historical information on international business and economics.

Experiential Exercises

The following materials are designed to enhance the learning experience and to help students become familiar with using a variety of research sources for the further understanding of international marketing.

- Exercise 1: Identify Shifting Trade Patterns by Commodity
- Exercise 2: Identify Foreign Market Trends and Opportunities
- Exercise 3: Understand Variability in Per Capita Income throughout the World
- Exercise 4: Understand Variability in the Cost of Products Due to Variances in Per Capita Income.
- Exercise 5: Conduct a Market Factor Assessment by Using Demographic, Economic, Political and Socio-Cultural Market Factor Data.
- Exercise 6: Analyze Import and Export Shipments
- Exercise 7: Understand the Importance of Using Public and Private Sources of Assistance
- Exercise 8: Research Export Licensing and Controls
- Exercise 9: Identify US Industry Targets for Export-Led Growth
- Exercise 10: Understand How to Find Foreign Buyers and Make Contacts
- Exercise 11: Understand the Vast Array of Product-Specific Trade Fairs Offered on an Annual Basis to Represent a Particular Product or Service.
- Exercise 12: Become Familiar with Market Research Reports Available on the NTDB
- Exercise 13: Identify Steps to Enter the International Marketplace
- Exercise 14: Understand the Political and Economic Rationale Behind The Importance of Targeting Developing Country Markets.
- Exercise 15: Identify the Factors that Contribute to a Global Village
- Exercise 16: Evaluate the STAT-USA® site.

Exercise 1

The purpose of this assignment is to introduce the student to trade statistics, using a relatively simple research assignment: to show the historical export values for a particular product over a five-year period. The student will be able to easily find this information using the USA-Trade® Online site or CD ROM and therefore will spend the bulk of his or her time analyzing the data to identify any positive or negative market trends.

Key players representing companies that are new to exporting or those companies expanding into an unfamiliar foreign market often do not conduct thorough market research to determine whether or not a product or service will sell well and be accepted in a particular market.

Selecting and entering foreign markets are often decisions made based on perceived familiarity with a “favorite” country, recent travel to the country, existence of colleagues or contacts in or from the country or an overall subjective assessment of the situation. Research conducted, if at all, is often not rigorous, intensive, or quantitative than for domestic activities; exporters are reluctant to engage in international research due to their lack of familiarity with national and international data sources, and inability to identify differences in consumer preferences, culture, and market trends.

It is easy and important to be able to identify import and export trade flow patterns. Knowing where a particular product is being exported to or imported from will help you to determine whether a product or service is amply available in a particular market or not being sold at all. The best way to find this out is to identify the number of shipments leaving and coming into the United States or another country, the export-import flow analysis. By analyzing a product’s exports and imports over a specific time period in terms of the value, quantity, and country of destination, you will be able to identify trends in the market such as weak, declining or increasing market penetration by country or region.

As an example, the total value of selected commodities exported from Michigan to Mexico from 1993 to 1995 is listed below.

Total Value (in millions)	1995	1994	1993
Total All Commodities	3,032.61	1,483.83	1,254.78
Transportation Equipment	1,695.58	747.47	682.78
Machinery	435.51	183.99	151.26
Fabricated Metal Products	244.63	31.42	27.31
Electronic Machinery	162.88	153.05	133.97
Primary Metal Products	100.3	61.54	28.06
Chemicals and Allied Products	95.51	100.65	79.84
Rubber Products	91.90	34.80	28.22
Furniture and Fixtures	63.93	57.01	39.16
Scientific Instruments	39.90	16.00	11.33
Stone, Clay, Glass Products	19.56	7.41	4.76
Paper and Allied Products	14.32	9.71	6.68
Textile Products	13.93	10.36	16.49
Agricultural Products	13.76	6.69	0.73
Wood Products, Except Furniture	8.49	7.27	1.54
Food and Kindred Products	7.99	16.73	19.95

Source: Compiled from official statistics of the U.S. Bureau of the Census, Foreign Trade Division state of origin data series. Commodities sorted based on 1995 value.

Using the data, we can begin to identify shifting trade patterns by commodity. In the above statistics, we find that 13 of the 15 categories show that total values of annual exports from Michigan to Mexico rose from 1993 (when the North American Free Trade Agreement was not in effect) to 1995 (when NAFTA was in effect). You can rank and identify the industries with the highest growth by dividing 1993 values into 1995 values to show the percentage increase or decrease in exports. Only two categories show a decrease in export activity during this time period. These categories are food and kindred products and textile products.

Exercise One: Identify Shifting Trade Patterns by Commodity

Select a country in which you are interested for whatever economic, personal, social, or political reason.

List 10 commodities and their total export value (in millions) the last four years and rank the percentage change in export values from highest to lowest.

Find at least three positive or negative trends through your analysis of the data and give your opinion on whether or not positive and negative trends are relevant or reflect the reality of today's international business environment. How can you use trends as a way of conducting international business? What are the dangers of relying on perceived trends?

STAT-USA® source of information to complete this assignment: U.S. export and import statistics can be found in "USA Trade Online," a product of the Foreign Trade Division U.S. Bureau of the Census. A small fee is charged for these data. Please consult your librarian, or, call STAT-USA®, U.S. Department of Commerce telephone number 1-800-STAT-USA® (1-800-782-8872) or 202-482-1986.

Czinkota and Ronkainen: *International Marketing*: Chapter 4: The Economic Environment and Chapter 5: The Financial Environment.

Exercise 2

This assignment involves minimal research time but requires the student to think about how to analyze trends in foreign markets through historical export statistics on a particular product.

Exporting offers numerous advantages for thousands of firms, but the majority have not taken advantage of the opportunities in the worldwide marketplace. The massive restructuring of political boundaries, the collapse of Communism, the opening of new consumer markets, historic trade agreements and the World Trade Organization have created unprecedented opportunities for firms to export.

To be sure, ours is a global economy, influenced by the worldwide access of manufacturing technology which has created competitive manufacturers able to produce cheaper, bigger, faster, better and more. Formerly underdeveloped countries have become serious rivals to established economies due to worldwide links to communication systems and the explosion of television, print and electronic access to information.

Clearly, there has never been a more opportune time for U.S. firms to capitalize on these market shifts by identifying foreign market trends and opportunities. Doing so will contribute to the firm's ability to survive and thrive and will achieve the following:

Increase Sales and Profits. If the firm is performing well domestically, expansion into foreign markets almost always improves profitability. Yet the U.S. Department of Commerce recently found that only 3 of 25 businesses export, although they are all capable of it.

Gain Global Market Share. Over 95% of the world's economic activity is outside of the United States, leaving the majority of the world's economic pie untouched by most U.S.-based businesses. Two myths are that the United States dominates the world economy and that a firm selling well domestically in the US need not consider expanding into foreign markets. Research has shown that a firm that exports is far more productive and resilient to economic fluctuations than a firm that does not export.

Reduce Dependence on Existing Domestic Markets. By expanding into foreign markets, the firm will increase its marketing base and reduce internal domestic competition.

Stabilize Market Fluctuations. By expanding into global markets, firms are no longer held captive to economic changes, consumer demands, and seasonal fluctuations within the domestic economy.

Sell Excess Production Capacity. By exporting, production capacity and length of production runs may increase, thereby decreasing average per unit costs and increasing economies of scale.

Enhance Competitiveness. Exporting is proven to enhance competitive advantage. While the firm will benefit from exposure to new technologies, methods and processes, the country will benefit from an improved balance of trade.

Create Domestic Jobs. Exports of goods and services are important in supporting and creating millions of jobs.

Help Reduce the Trade Deficit. In 1999, exports of goods and services accounted for \$990 billion and represented 10.6% of the U.S. Gross Domestic Product.

Yet, many firms in the U.S. do not seek foreign market opportunities because they do not know how to find the information that will help them identify foreign market trends and opportunities.

Typically, the information needs of firms involve country-specific information, trade regulations, trade leads and other more micro-oriented information specific to the firm’s activities. When attempting to identify foreign market trends and opportunities, it is necessary to first find out where particular products or services are selling well or not so well by analyzing the export performance of a variety of products in a number of countries. By doing so, you will be able to determine overall trends and changes in targeted foreign markets by particular product or service categories.

Exercise Two: Identify Foreign Market Trends and Opportunities

Show macro, aggregate changes in targeted foreign markets by listing the total value of 3 commodities exported from the US to 5 countries for the last four years. For each of the countries, provide a one paragraph statement in which you identify positive or negative trends. Give your opinion on whether or not positive and negative trends are relevant or reflect the reality of today’s international business environment. How can you use trends as a way of conducting international marketing? What are the dangers of relying on perceived trends? You are encouraged to conduct research on products from your hometown or region.

Product 1:		Product 2:		Product 3:	
Country	Total Value (in millions)	Country	Total Value (in millions)	Country	Total Value (in millions)
1.		1.		1.	
2.		2.		2.	
3.		3.		3.	
4.		4.		4.	
5.		5.		5.	

STAT-USA® source of information to complete this assignment: U.S. export and import statistics can be found in “USA Trade Online,” a product of the Foreign Trade Division U.S. Bureau of the Census. A small fee is charged for these data. Please consult your librarian, or, call STAT-USA®, U.S. Department of Commerce telephone number 1-800-STAT-USA® (1-800-782-8872) or 202-482-1986.

Czinkota and Ronkainen: *International Marketing*, Chapter 2: International Trade Institutions and U.S. Trade Policy.

Exercise 3

This assignment involves minimal research time but provides an opportunity for the student to think about the disparity and variability in per capita income throughout the world. The student is expected to compare and contrast the highest and lowest levels of per capita income and draw conclusions about foreign market entry strategies.

Often the decision to target and enter a foreign market is based on analysis of predicted demand for the product or service and the ability of a customer to pay. These criteria represent the bottom line for most firms when deciding which markets to target. And with more than 8 of out 10 people living in poverty in the majority of countries, most U.S. firms do not consider developing and transition economies in their analysis. This is why the majority of U.S. firms target traditional markets in Europe or high income markets in Asia and Latin America.

The reality is that people with low income cannot pay for high priced luxury products and services. However, it is important to emphasize that individuals in this market still need things and are buying them (e.g., from expensive AIDS drugs to reverse engineered products such as non-electric washing machines, solar powered homes, used clothing, food stuffs, household, and thousands of other needed products).

Nevertheless, realizing that a large portion of the world's population makes less than two dollars a day helps to orient the entire issue of international marketing, foreign market research, and targeting foreign markets. It is important to understand the extent to which the majority of the world has extremely limited purchasing power. Understanding this helps orient the foreign market researcher in understanding where to logically target markets. It also highlights the economic imperative to U.S. policymakers to begin crafting programs, policies and services that will help ameliorate poverty in the developing world.

The importance of this imperative is not complex: if more countries expand their per capita income, global market share expands, and brings increased opportunities for U.S. firms to export their products and services.

There is much room for growth internationally. 1.2 billion people are estimated to live on less than \$1 per day as the following table shows. Speaking at the World Bank meetings in Prague in September of 2000, World Bank President James D. Wolfensohn, estimated that 2.8 billion people live on less than \$2 per day. There are many factors that contribute to this economic reality.

Population living on less than \$1 per day, 1987-1998
Number of people living on less than \$1 a day (millions)

Regions	1987	1990	1993	1996	1998	Total %
East Asia and the Pacific	417.5	452.4	431.9	265.1	278.3	90.8%
Eastern Europe and Central Asia	1.1	7.1	18.3	23.8	24.0	81.7%
Latin America and the Caribbean	63.7	73.8	70.8	76.0	78.2	88.0%
Middle East and North Africa	9.3	5.7	5.0	5.0	5.5	52.2%
South Asia	474.4	495.1	505.1	531.7	522.0	97.9%
Sub-Saharan Africa	217.2	242.3	273.3	289.0	290.9	72.9%
World	1,183.2	1,276.4	1,304.3	1,190.6	1,198.9	88.1%

Source: World Bank Development Report, 2000

Exercise Three: Understand Variability in Per Capita Income Throughout the World

Prepare a ranking of the 10 countries with the highest per capita income and the 10 countries with the lowest per capita income. Write a one page statement in which you analyze the data, drawing possible conclusions such as your thoughts on the regionalization of poverty, the percentage of the world making less than US \$3,000 per year, the difficulty in penetrating foreign markets due to low income levels and other thoughts and observations you may have.

STAT-USA® source of information to complete this assignment: World Factbook, Background Notes.

Czinkota and Ronkainen: *International Marketing*, Chapter 23: Newly Emerging Markets.

Exercise 4

The purpose of this exercise is to illustrate to the need for variable pricing in foreign markets. Some research time will be required to find prices for a computer sold in various markets. The instructor may want to share this information with students so that students can spend their time analyzing the data. Analysis should not take much time for the student, once the data are located or provided.

Selling in international markets is all about getting the pricing right in foreign markets. Achieving a “just right export price” is a critical factor since if not enough is charged, firms lose money and will eventually go broke. If too much is charged, the firm will not be able to enter, penetrate or expand into a foreign market.

According to the U.S. Small Business Administration, the most common mistake a firm makes as it begins to export or expand into foreign markets is an inability to properly price a product or service in foreign markets.¹

Pricing a product is the most important factor affecting the viability and success of a product in a foreign market. Many firms do not consider the various non-domestic costs that can contribute to the per unit price. Among the special elements to consider when exporting are taxes and tariffs, the buyer’s percentage mark-up, sales commission, freight forwarder processing and documentation fees, financing costs, letter of credit processing fee, export packing charges, labeling and marketing, inland freight charges, unloading at the terminal, insurance, translation of product materials.

When determining the appropriate price, it is important to consider how much purchasing power is available to consumers in various markets based on the cost of the product and the level of per capita income.

Exercise Four: Understand Variability in the Cost of Products Due to Variances in Per Capita Income

Prepare a listing of five countries and the adjusted US dollar cost of a particular product. Indicate the overall percentage of income an individual would consume to purchase a computer by dividing the cost of the computer by the total per capita income from the previous assignment. For example, at a US \$5,000 income level per year, the purchase of a computer for US \$3,000 will consume 60% of total annual income.

STAT-USA[®] source of information to complete this assignment: ITC’s Market News Service at <http://www.intracen.org/> and U.S. Department of Labor. International Prices Indexes may be found on: <http://stats.bls.gov/blslist.htm>. This includes information on U.S. Export Prices and Foreign Labor Statistics.

Czinkota and Ronkainen: *International Marketing*, Chapter 11: Export Pricing Strategies; Chapter 18: Global Pricing Strategies.

¹ Other mistakes include a failure to obtain qualified export counseling and to develop an international strategy before targeting foreign markets; insufficient commitment by top management to be patient with the initial difficulties and financial requirements of exporting; insufficient care in selecting overseas sales representatives or distributors; seeking orders from around the world rather than concentrating on one or two geographical areas to establish a basis for profitable operations and orderly growth; neglect of the export business when the domestic market booms; failure to treat international distributors and customers on an equal basis with domestic counterparts; assuming a product will be acceptable in all markets; unwillingness to modify products to meet regulations or cultural preferences of other countries; failure to print services, sales and warranty information in foreign languages; failure to consider use of an Export Management Company when the firm cannot afford its own export department; failure to consider licensing or joint venture agreements when import restrictions, insufficient resources, or a limited product line cause companies to dismiss international marketing as unfeasible; and failure to provide readily available servicing for the product.

Exercise 5

The purpose of this exercise is for the student to analyze a vast amount of information in order to select a target market. Since this is a part analytical and part subjective exercise, the student will need to decide how to rank a particular category. For example, for some, a highly populated target market would receive a high rank while others, who prefer less populated areas for tourism purposes, would prefer less populated markets. In sum, it is up to the student to assign rankings but the student should also be able to defend the rationale behind why a particular score was given for a particular category.

Foreign market research is all about analyzing international market opportunities presented in statistics, market research reports and trade leads. The aim of market research is not to conduct a detailed analysis of the world on a country-by-country or market-by-market basis but instead to utilize a targeted approach to identify the markets that will respond best to your products or services.

Such an approach should begin with a cursory analysis of general variables of a country, including total and per capita GNP, population figures, climate, quality of transportation infrastructure, political system, political and economic history, economic growth rates, historical exchange rate, per capita income, etc.

These factors will enable the foreign market researcher to determine whether corporate profit or expansion objectives might be met in the market. For example, high-priced consumer products are unlikely to be successful in the People's Republic of China, as the price charged for these goods may total a significant proportion of the customer's annual salary, the customer benefit may be minimal, and the government may prohibit their importation.

Assessment of target markets allows businesses to determine the largest and fastest growing markets, identify market trends and conditions, predict demand and market potential, and identify competitive firms and products. New-to-export firms should seek a few target markets based on the demographic, physical and political environment, economic factors, social and cultural environment, market accessibility and product potential.

The foreign market researcher will need to find information on the targeted countries to help reduce the number of markets to a manageable number — for example, from 225 countries to possibly 5 countries. Typical information to be mined include the fastest growing markets, competition in the largest markets, demand trends, and business restrictions. Although information may not be readily available, information can be easily found for general product categories, service industries or country demographics.

Conducting a thorough market factor assessment will help the firm predict the demand for its products or services and how well it is likely to perform in each target market.

Exercise Five: Conduct a Market Factor Assessment by Using Demographic, Economic, Political, and Socio-Cultural Market Factor Data

In this assignment, conduct a Market Factor Assessment for one target country by answering the questions listed below. The goal will be to assess whether demand exists or can be stimulated. The instructor will select a product while the student will select the country for analysis, thus allowing for comparison of the product's potential in a variety of countries. During the course presentation, students are expected to highlight their findings so that the class can conclude during the moderated discussion which is the best market for the product.

The highest score “wins”, meaning that the product will have the greatest selling potential in the country with the highest score and that exportation to or investment in that country has the highest priority.

1. What is the population of the country?
STAT-USA® Site: Country Map Search
2. Is the population of the country dense or sparse?
STAT-USA® Site: Country Map Search
3. Is the population urban, suburban, rural or mixed?
STAT-USA® Site: Country Map Search
4. Explain the climate and weather variations of the country and how it could effect your product.
STAT-USA® Site: Country Map Search
5. Calculate the shipping distance from the point of export to the target country (e.g., flight time, total miles, or total door to door time).
STAT-USA® Site: Search airline web site for this information.
6. What is the quality of transportation and telecommunications infrastructure?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
7. What is the quality of shipping ports?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
8. Is the system of government conducive to conducting business?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
9. What is the government's attitude toward the importation of foreign products (e.g., the existence of quotas and non-tariff barriers)?
STAT-USA® Site: National Trade Estimates Report on Foreign Trade Barriers

10. Is the political system stable or do governing coalitions change often?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
11. Does it appear that the government is committed to dismantling quotas, tariffs, and other trade barriers?
STAT-USA® Site: National Trade Estimates Report on Foreign Trade Barriers
12. What is the predicted economic growth levels for the country?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
13. What is the GNP and balance of payment ratio for the country?
STAT-USA® Site: Country Map Search
14. What percentage of products are imported, and what percentage of products are exported?
STAT-USA® Site: USA Trade Online, U.S. Exports by Commodity and Country (mirror statistics).
15. What is the country's import to export ratio to the U.S.?
STAT-USA® Site: USA Trade Online, U.S. Exports by Commodity, U.S. Exports by Country, U.S. Imports by Commodity, U.S. Imports by Country
16. What is the U.S. exchange rate for the country?
STAT-USA® Site: Current Exchange Rate (weekly)
17. What was the U.S. exchange rate last year for the country?
STAT-USA® Site: Current Exchange Rate (annual)
18. What is the per capita income of the country?
STAT-USA® Site: Country Map Search
19. What percentage of the population is literate?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
20. What percentage of the population is middle class?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook
21. To what degree is the target market similar to the U.S. market, accounting for cultural, religious, linguistic, economic and political differences? In other words, to what extent do you think the product will be accepted in the target market? It is important to consider if you are looking for foreigners to adapt to U.S. products and services or will your product or service adapt to the needs of your foreign market. The student is expected to make a subjective assessment.
22. To what extent does the population speak English?
STAT-USA® Site: Background Notes, Country Commercial Guides, World Factbook or, if unavailable, a subjective assessment based on knowledge of the market.

Now rate your target country based on a market condition scale of 1 (poor) to 5 (excellent). Tally the results of your research to identify an aggregate market factor assessment score. Identify the high and low scores of the class. High scores indicate excellent market potential. Low scores indicate poor market potential.

Demographic / Physical Factors

1. Population
2. Population density
3. Urban, suburban, rural distribution
4. Climate
5. Shipping distance or estimated time to door to door shipment
6. Transportation / telecommunications infrastructure
7. Shipping ports

Economic Factors

1. Economic growth potential
2. GNP and balance of payments
3. Import and export % of total economy
4. Balance of payments
5. Current exchange rate
6. Last year's exchange rate
7. Per capita income / disposable income

Political Factors

1. System of government
2. Attitudes toward importation
3. Political stability
4. Fair/free trade mind set

Social / Cultural Factors

1. Literacy rate
2. Existence of middle class
3. Target market similarities
4. English speaking ability
5. Export documentary requirements
6. Presence of competition

Source of information to complete this assignment: U.S. export and import statistics can be found in "USA Trade Online," a product of the Foreign Trade Division U.S. Bureau of the Census. A small fee is charged for these data. Please consult your librarian, or, call STAT-USA®, U.S. Department of Commerce telephone number 1-800-STAT-USA® (1-800-782-8872) or 202-482-1986.

Czinkota and Ronkainen: *International Marketing*, Chapter 4: The Economic Environment, Chapter 5: The Financial Environment

Exercise 6

This assignment will give the student a macro, basic understanding of export-import flows by comparing the quantity and dollar value of a product exported from the US into three countries and imported into the United States from the same three countries. An added value of the assignment is that the student will be able to quickly and easily see the variance in price of the product being sold in various countries.

Price depends on how competitive the target market is, the level of demand for the product in the foreign market, and the total costs necessary to bring the product to market. Depending upon the distance and other factors, a 5% to 50% price increase may be necessary. To calculate the cost of a good for a foreign market, consider all factors for which the exporter will be responsible including the cost per unit, marketing, markup, sales commissions, freight, financing costs, export packing charges, labeling, marketing, port charges and unloading, documentary fees, and insurance.

It is important to note that while the final price of the item is often the “bottom line” in any negotiation, many other elements are important to the buyer. For example, buyers in the United States were surveyed by the National Association of Purchasing Management, Inc. to identify other non-price point factors contributing to the decision to buy. In order, they include:

- | | |
|-------------------------|---------------------------------------|
| 1. quality | 8. confidentiality |
| 2. delivery schedule | 9. allowing changes in specifications |
| 3. price | 10. price negotiation |
| 4. warranties | 11. packaging |
| 5. liability for claims | 12. terms of payment |
| 6. patent protection | 13. mode of transportation |
| 7. technical assistance | 14. progress reports |

Simply put, producing a quality product, delivering on time, and competitively pricing a product are the most important factors that can affect financial projections and the overall success of doing business in a foreign market. But how do you competitively price a product that is being sold in multiple foreign markets? You can determine if a price for a given product is competitive by simply looking at similar products within a market, then checking the selling prices of the domestic and imported brands. How does the price compare with your price? Is it higher or lower? What is the image in the marketplace? Are the products considered top of the line or deep discount? What if it is impossible to visit each target market to determine current market rates for or the “image” of your product?

Exercise Six: Analyze Import and Export Shipments

This will help you understand where a particular product is being exported to or imported from throughout the world and develop a unit selling price to competitively sell anywhere in the world.

First, show the total number (quantity) and dollar value of a product exported from the US into 3 countries and imported into the United States from the same 3 countries. Then, determine an average unit price being charged in each country by dividing the total quantity by the total value. Explain if the unit selling price varies greatly or marginally in the various countries.

Source of information to complete this assignment: U.S. export and import statistics can be found in “USA Trade Online,” a product of the Foreign Trade Division U.S. Bureau of the Census. A small fee is charged for these data. Please consult your librarian, or, call STAT-USA®, U.S. Department of Commerce telephone number 1-800-STAT-USA® (1-800-782-8872) or 202-482-1986.

Czinkota and Ronkainen: *International Marketing*, Chapter 19: Logistics and Supply Chain Management.

Exercise 7

This assignment is an introduction to the importance of using public and private sector assistance providers. The student will compare the services offered by traditional service providers to gain an understanding of what each organization can do to help a small exporter through the export transaction.

Typical export service providers can be accountants, airlines, banks, Chambers of Commerce, District Export Councils, educators, embassies, export management and trading companies, foreign trade zones, freight forwarders and customhouse brokers, insurance providers, lawyers, legislators, local government officials, the media, port authorities, postal and shipping companies, states and federal government agencies, telephone companies, trade and industry associations, utilities, and venture capitalists. All have a stake in ensuring a healthy, growing and dynamic U.S. export-led economy and all play a role in helping more U.S. firms export their products and services.

Yet, for many firms, the decision not to export is based on fear: the fear of not getting paid, of not being able to protect the business from currency fluctuations which may decrease or eliminate profits, of having perishable or valuable goods confiscated in a foreign port, of incorrectly filling out paperwork, of limited access to export financing, of not being able to find a bank willing to facilitate the export transaction, of not being able to find foreign buyers, or the fear of not being able to qualify or evaluate them. Moreover, many firms fear that sales might not meet projections, repatriation of profits from the target country may be forbidden, or in cases of non-payment or other contractual problems, there may be questions of jurisdiction in which U.S. courts may not be able to enforce contracts between parties in different countries. Finally, many non-exporters suffer from fear that the product may not be accepted in foreign markets.

Many firms are also adverse to risk, and are not willing to acquire the in-house expertise to conduct market research. “What if that hotshot MBA spends his time preparing foreign market analyses and not cutting deals?” Other firms won’t spend a few hundred dollars to place an ad in a magazine that is distributed throughout the world. “I’m doing well selling domestically; why should I spend more money advertising in foreign markets than I do in domestic ones?” Many managers don’t understand how to protect the firm against currency fluctuations, non-delivery of goods or non-payment, damage to goods, and many other risks inherent in the international business transaction.

Just as consumers have established pattern behaviors and ways of buying products and services, firms have an entrenched way of selling their products and services. There is a “consumer psyche” and a “seller psyche” that is full of attitudes and perceptions that has determined how buyers and suppliers are behaving in the international marketplace.

For example, some individuals are limited by a perception of physical distance. It takes less time to ship from Bangor, Maine to a firm in Gander, Newfoundland than it does to ship to a firm in Los Angeles but there are often psychological barriers and biases that limit a firm’s ability to think out of the box and expand into international markets.

Literally hundreds of trade development specialists are located throughout the United States to help debunk such myths, misperceptions and myopic attitudes, plan a foreign market entry strategy and to assist with every step of the export process.

These individuals at the federal, state and private sector levels can offer no-cost or low-cost assistance to firms. They can assist in analyzing domestic performance, assess the firm's strengths and weaknesses, analyze the demographic, social, political and economic factors of targeted markets, confer with marketing, financial, legal and logistical experts and select target markets. Specialists can also help with foreign market entry planning by helping conduct industry-sector market research, evaluate market research reports, comply with target country licensing, standard and certification requirements, file for necessary patent, trademark and copyright protection, and identify taxes, tariffs, duties, quotas or other non-tariff trade barriers. Yet others can help with determining methods of distribution, develop marketing messages, select foreign sales representatives, negotiate financial instruments, obtain insurance, complete documentary requirements, package and label the product and, finally, ship it to the ultimate destination.

Time and again research has shown that new-to-exporting firms or those firms expanding into an unfamiliar foreign market often do not obtain qualified export counseling before developing the international business plan. And yet there is no excuse: public and private sector professionals are available throughout the United States to assist in answering the questions that make it difficult to export and help overcome barriers so that firms find it easier to succeed.

Exercise Seven: Understand the Importance of Using Public and Private Sources of Assistance

Compare, summarize and/or evaluate the various export development services provided by the following organizations:

1. U.S. Small Business Administration
2. Small Business Development Center
3. U.S. Export Assistance Center
4. U.S. Department of Commerce Country Desk Officer
5. U.S. Department of Commerce Industry Desk Officer
6. Freight forwarder
7. The Chamber of Commerce (in your hometown perhaps)
8. International department of a bank
9. Trade association in the industry of your choice
10. World Trade Center
11. Commercial News USA
12. International Buyer Program
13. Agent/Distributor Service

STAT-USA® source of information to complete this assignment: Commercial Service International Contacts USA Trade.gov or <http://www2.usatrade.gov/website/Website.nsf/>, National Export Directory and Trade Secrets: The Export Answer Book.

Czinkota and Ronkainen: *International Marketing*, Chapter 9: Export Intermediaries, Licensing and Franchising.

Exercise 8

This assignment serves to alert students to some policy issues pertinent to international marketing. It focuses on export controls and highlights the fact that there are other values which compete with business transactions.

Many nations have export control systems, which are designed to deny or at least delay the acquisition of strategically important goods by adversaries. In the United States, the export control system is based on the Export Administration Act and the Munitions Control Act. These laws control all export of goods, services, and ideas from the United States. The determinants for controls are national security, foreign policy, short supply, and nuclear nonproliferation.

For any export from the United States to take place, the exporter needs to obtain an export license from the Department of Commerce, which administers the Export Administration Act. In consultation with other government agencies – particularly the Departments of State, Defense, and Energy – the Commerce Department has drawn up a list of commodities whose export is considered particularly sensitive. In addition, a list of countries differentiates nations according to their political relationship with the United States. Finally, a list of individual firms that are considered to be unreliable trading partners because of past trade-diversion activities exists for each country.

After an export license application has been filed, specialists in the Department of Commerce match the commodity to be exported with the critical commodities list, a file containing information about products that are either particularly sensitive to national security or controlled for other purposes. The product is then matched with the country of destination and the recipient company. If no concerns regarding any of the three exist, an export license is issued.

This process may sound overly cumbersome, but it does not apply in equal measure to all exports. Many international business activities can be carried out with a general license, which provides blanket permission to export. Under such a license, which is not even a piece of paper, exports can be freely shipped to most trading partners provided that neither the product nor the country involved is considered sensitive. However, the process becomes more complicated and cumbersome when products incorporating high-level technologies and countries not friendly to the United States are involved. The exporter must then apply for a validated export license, which consists of written authorization to send a product abroad.

The international business repercussions of export controls are important. It is one thing to design an export control system that is effect and that restricts those international business activities subject to important national concerns. It is, however, quite another when controls lose their effectiveness and when one country's firms are placed at a competitive disadvantage with firms in other countries whose control systems are less extensive or even nonexistent.

Exercise Eight: Research Export Licensing and Controls

What are the core concerns of U.S. export control rules? How does one go about obtaining an export license? What are some of the penalties that the US government can impose on non-compliant exporters?

STAT-USA® source of information: The Export Administration Regulations available on the NTDB are based on the official EAR version published on the Bureau of Export Administration Web site at www.bxa.doc.gov.

Czinkota and Ronkainen: *International Marketing*, Chapter 6: The International Political and Legal Environment

Exercise 9

The purpose of this assignment is for the student to understand macro economic export policy by focusing on the U.S. government's targets for export expansion by industry. The research time and analysis time is minimal for the student but the opportunity for them to express themselves in terms of agreeing or disagreeing with national export policy is great.

Each year, the United States International Trade Administration highlights outstanding markets for American industries, ranked by potential gain in export sales over a two-year period. In 1999, among 32 target countries with strong sales potential for U.S. goods and services, there were 289 products deemed to be a "top target" for increasing US exports. Top markets are identified by foreign commercial attaché staff located overseas and then analyzed using a common set of market factors which gauge potential demand and overall economic growth of the countries. Market factors include the size and projected growth of a market, foreign imports into the U.S., total U.S. exports and assessments of local and third-country competition. The purpose of labeling a market a top target is to highlight opportunities to firms in the United States that may be unaware of the market growth or competitive advantages of a particular U.S. product in a particular country or region.

Exercise Nine: Identify US Industry Targets for Export-Led Growth

List the top markets targeted by the US government by product and country and then by country and product. For example:

- Aircraft Parts: Korea, UK, Taiwan, Italy, Germany, China
- Apparel: Japan, UK, Mexico, Netherlands, Switzerland, Germany
- Automotive Parts: Japan, Germany, Mexico, France, Brazil, Kuwait
- Computers: France, UK, Korea, China, Malaysia, etc.,
- Brazil: Automotive Parts
- China: Computers, Aircraft Parts
- Germany: Aircraft Parts, Automotive Parts, Apparel

Then prepare a one page analysis of this data which includes reactions, observations and commentary by you regarding the most promising markets for US products and services that come from your local region or state. Why do you think some industries are targeted and not others? Do you agree or disagree with the industries and countries that are targeted?

STAT-USA® source of information to complete this assignment: Best Market Reports
Czinkota and Ronkainen: *International Marketing*, Chapter 14: Global Strategic Planning

Exercise 10

The purpose of this two-part assignment is to expose the student to the vast array of Internet-based sites which list offers to buy and sell. The student will spend minimal time identifying trade leads and more time preparing a memo to a company in response to a posted trade lead. They student will also be requested to evaluate web sites which post trade leads in order to better understand the sources and their value.

The foreign buyer is the one who will determine your success in international markets. Simply put, trade is all about finding buyers, responding to their needs and getting paid after having fulfilled the order and meeting the customer's expectations.

The first step in the process is finding a buyer. If a buyer doesn't know about your product or service, it is guaranteed it will not get sold. Learning about the vast array of trade lead services is critically important to make contact with your potential customers using a variety of sources, not just one or two methods. There are scores of trade matching services where buyers and sellers are able to list the products they buy or sell.

The U.S. government offers a number of programs and services to help identify foreign buyers. For example, the U.S. Agency for International Development (USAID) at (703) 875-1551 provides lists of importers in select AID recipient countries who are interested in importing specific U.S. products. If you want access to thousands of potential buyers from throughout the world, Commercial News USA, www.cnewsusa.com, is a gem. It is published ten times yearly to promote U.S. products and services in 141 countries worldwide. Advertising in Commercial News USA (<http://www2.usatrade.gov/website/Website.nsf/>) is an excellent way to inform foreign businesses that a product is available. Another low-cost technique is to locate foreign buyers in foreign phone books. National associations produce trade journals which advertises members' products to readers throughout the world. STAT-USA® provides trade leads through Commerce Business Daily, the Defense Logistics Agency, Trade Opportunities Program and agricultural trade leads which list offers to sell. These are excellent sources to find foreign buyers.

Once you have found the buyer, you must please your customers by accommodating a unique market with religious, cultural, size, metric, electric, or other restrictions, and demonstrating that you can adapt your product to fit their needs. Pleasing your customer may involve painting a product a different color, making a product larger or smaller, packaging it in environmentally-friendly containers, packing it in uneven lots of 9 or 15, or making the product conform to different international electrical voltages.

After you have found the buyer and accommodated their needs, it is equally important that you protect your interests to ensure that you will get paid after safe and on time delivery of the good or service. Background research on the buyer will need to be conducted in terms of the firm's financial history, payment terms, and creditworthiness. This can be achieved by referring to any number of firms that maintain records on foreign companies including Veritas and Dun and Bradstreet.

Exercise Ten: Understand How to Find Foreign Buyers and Making Contacts

Prepare a one-page memo to a foreign company introducing your product or service. Include a contact listing of ten businesses in foreign countries looking to import your particular product. Include the company name, address and other contact information along with special requirements of the company you note from their posting of an offer to buy. Cite the sources from which you prepared your list.

Also, print out the home pages of the following web sites that provide credible trade leads, buyer/seller matching, lists of buyers and advertising opportunities and attach a summary paragraph on each.

Sample Sources of Trade Leads:

1. <http://www.tradematch.com/uk/portail/index.asp>
2. <http://www.itrade.com>
3. <http://tradenet.org/>
4. <http://www.expogudie.com/shows/shows.htm>
5. <http://www.mnileads.com>

STAT-USA® source of information to complete this assignment: Commerce Business Daily Leads, Defense Logistics Agency Leads, Trade Opportunities Program Leads, and the Agricultural Trade Leads.

Czinkota and Ronkainen: *International Marketing*, Chapter 12: International Communications.

Exercise 11

The purpose of this assignment is to expose the student to the possibilities and limitations of trade fairs. Using the STAT-USA® site, the research time is limited, allowing the student time to reflect on factors that contribute to successful participation in a trade fair.

An international trade fair can help locate foreign buyers and provide a first-hand prediction of how the product will fare in the international target market. You will be able to assess the competition and meet potential distributors/agents for the product, demonstrate and display information about the product, announce a new product line, and generate interest in the product.

With the proliferation of shows offered throughout the world, it is important to be selective when considering when and where to exhibit. This is especially true for those firms with small budgets. If you take time to research trade show opportunities and plan ahead, you should be much more successful. Following are some tips on what to consider when deciding in which show to participate:

- Don't be lured by a show because it is large and promises to provide hundreds or thousands of potential customers. Firms that have niche products or services are usually better served attending smaller, regional and more focused shows.
- If you can find a show that is tied to an educational program, you may experience even greater results. In times of downsizing and reduced budgets, firms are more likely to send people to a show that is allied with an educational opportunity as opposed to an exhibit-only function.
- Booth costs at smaller shows, in the year 2000, are usually less than the \$14 per square foot on average for international shows. Smaller shows require fewer expenditures for marketing because the audience is limited. They also allow for more time getting to know prospects. Clients can mingle with top management, and learn who makes the decisions in the firm.
- The U.S. Department of Commerce (DOC) Trade Fair Certification division certifies about 80 international worldwide events each year. Call the Trade Information Center (call 800 872-8723 for more information). The U.S. DOC also supports major domestic, U.S.-based trade shows featuring products and services of U.S. firms with high export potential through its International Buyer Program. Qualified foreign buyers worldwide are recruited to attend the shows. Contact the Export Promotion Services division at (202) 482-0146. There are a number of resources, guides and directories which contain information on industry- or country-specific trade shows. These listings provide the names of the shows; their dates and locations; contact information for the exhibition management; profiles of products and exhibitors; registration fees and admission charges to exhibits, seminars and social events; founding data and frequency of the event; and number of attendees.

Exercise Eleven: Understand the Vast Array of Product-Specific Trade Fairs Offered on an Annual Basis to Represent a Particular Product or Service

List the name, date and location of ten trade fairs for a particular product or service. Include a one page statement on the factors for successful participation in a trade fair. Choose two fairs which you would attend and explain why you prefer them over the other eight.

STAT-USA® source of information to complete this assignment: Market Research Reports, Trade Events and Sources of Information.

Czinkota and Ronkainen: *International Marketing*, Chapter 13: Channels and Distribution Strategies, Chapter 20: Global Promotional Strategies.

Exercise 12

The purpose of this assignment is to expose the student to the hundreds of market research reports available on the STAT-USA® system. By completing the assignment, the student will understand the factors that need to be considered when analyzing foreign markets and industries.

Conducting market research is critically important to the successful targeting and implementation of a foreign market entry strategy. Through its vast international network of economic and commodity analysts, country desk officers, embassy economic specialists, diplomats, and economic and market analysts, the U.S. government is well-positioned to provide timely, relevant and need-to-know information to US exporters and importers. Based on the research and experience of hundreds of international trade specialists located in the United States and abroad, the National Trade Data Bank is able to offer thousands of practical, market-oriented Market and Country Research Reports written in plain business language.

Exercise Twelve: Become Familiar with Market Research Reports Available on the NTDB

Read four reports from the sources listed below. In four pages or less, summarize the type of information contained in the reports including economic, competitive, demographic, financial, political, cultural, historic, and other factors contained in the report. Summarize how these reports can help in analyzing foreign market trends and opportunities.

STAT-USA® source of information to complete this assignment:

Market and Country Research

- Best Market Reports
- Country Commercial Guide
- Foreign Agricultural Market Reports
- International Marketing Insight Reports by country or industry
- Industry Sector Analysis Reports by country
- Market Research Reports

Note: If you are looking for a report on a specific commodity, it is best to identify the Schedule B, Harmonized System (HS) number first. You can identify the Schedule B, HS number of the product or service by going to U.S. Exports Commodity Classification (Schedule B) within the NTDB program.

Czinkota and Ronkainen: *International Marketing*, Chapter 7: Building the Knowledge Base.

Exercise 13

This assignment will take more time than others. It gives the student an opportunity to be creative and apply knowledge learned in a practical environment by preparing a memo to his or her “boss”, articulating why the firm should adapt a particular foreign market entry strategy. The student should be encouraged to be creative, relying less on finding statistics to prove a point, but spending more time on articulating one’s argument.

A successful export venture involves three critical functions: feasibility analysis, foreign market entry planning and implementation.

In a feasibility analysis, the exporter must 1) analyze how the product is performing domestically, 2) assess the firm’s competitive advantages, 3) consider demographic, social, political and economic factors of a target market, 4) confer with public and private sector marketing, financial, legal and logistical experts and then target a few foreign markets by conducting thorough market research.

To plan entry into a foreign market, the exporter then needs to 5) conduct industry sector market research, 6) evaluate that market research, 7) write the foreign market entry strategy through development of a business plan, ensure compliance with 8) licensing, 9) standards and 10) certification requirements, 11) file for patent, trademark and copyright protection, 12) identify taxes, tariffs, duties, quota and other “non-tariff” barriers that may be employed to bar your product from successful entry into market, and then, finally, 13) establish a competitive price.

Once the foreign market entry plan has been established, then the exporter must 14) determine the method of distribution (e.g., direct exporting, appointing a sales agent on a commission basis, hiring an export management company to represent the product, appoint a sales representative appoint a distributor or forge a licensing, joint venture or in-country production agreement), 15) establish marketing methods, 16) negotiate financial terms, 17) identify necessary private and government paperwork required for shipping goods, 18) package and label the product and 19) ship it.

Exercise Thirteen: Identify Steps to Enter the International Marketplace

Using the steps listed above as your guide, prepare a three page memo to your boss, describing exactly how a particular product or service will be introduced to the international marketplace, giving 2-3 sentence details about each step. Include the following in your memo:

1. Prepare a statement as to how the product is performing domestically.
2. List the firm’s competitive advantages.
3. Highlight demographic, social, political and economic factors of a target market.
4. Explain which type of public and private sector marketing financial, legal and logistical experts with whom you will confer.
5. Identify the type of industry sector market research to be conducted.

6. Explain your criteria to evaluate the research.
7. Explain the goals of the foreign market entry strategy.
- 8-10. Discuss the licensing, standards and certification requirements for your product.
11. Tell whether or not it is necessary to file for patent, trademark and copyright protection.
12. List any taxes, tariffs, duties, quota and other “non-tariff” barriers.
13. Based on your research, rationalize the price to be charged in your target market.
14. Explain how the product will be distributed.
15. How will the product be marketed?
16. Explain the method of payment.
17. List the private and government paperwork required for shipping goods.
18. Describe how the retail packaging of the product will be different for your target market.
19. What freight forwarder will ship the product?

By undertaking these steps, you will have articulated your rationale for having selected a particular foreign market based on fairly extensive research and you will better understand the costs and profits involved in exporting.

STAT-USA® source of information to complete this assignment: Entire site and U.S. Commercial Service at USATrade.gov or <http://www2.usatrade.gov/website/Website.nsf/>.

Czinkota and Ronkainen: *International Marketing*, Chapter 8: The Export Process; Chapter 10: Product Adaptation.

Exercise 14

The purpose of this assignment is to encourage students to consider untraditional markets, based on data rather than political or social expediency. The assignment will allow the student to articulate a rationale about why it makes economic sense to trade (import or export) with a developing country.

The most recent round negotiations under the auspices of the World Trade Organization held in Seattle in late 1999 failed. This was due mainly to the perception by developing country representatives, environmental rights activists and opponents of globalization that the World Trade Organization does not have the vested interests of developing countries at heart when facilitating agreements among countries. Many believe that lower tariffs, abandonment of subsidies to inefficient producers and farmers, and a reduction of trade barriers will hurt the developing world.

Others have argued that the majority of US exporters and importers continue focus on large, wealthy, democratic, and established markets in developed countries where there is hyper competition. These markets have historically been primary export target markets and a source of quality components and products for import. But there are many untapped market opportunities in developing countries to be exploited due to less competition, rising levels of income, opening of markets by government and many other factors.

Exercise Fourteen: Understand The Importance of Developing Country Markets

Using data to prove your argument, prepare a two page memo which articulates why a particular product or service would sell well in a developing or lesser developed country in Africa or Latin America, or why a particular product or service should be imported into the United States from a developing or lesser developed country.

STAT-USA® source of information to complete this assignment: Consider trade leads, market research reports, and historical international trade statistics when completing this assignment. U.S. Commercial Service at USATrade.gov or <http://www2.usatrade.gov/website/Website.nsf/>.

Czinkota and Ronkainen: *International Marketing*, Chapter 23: Newly Emerging Markets.

Exercise 15

This assignment relies less on research than on students being able to integrate recent economic and political history into a statement regarding the global village. The student should be able to prepare the assignment with little or no research. This should be a chance for the student to express his or her opinions and feelings about the profound changes that have occurred in the world marketplace.

We've heard so much about the "global village" and the need to "think global but act local". But is there any substance behind these phrases? What do they actually mean? When 0.11% of the people in Egypt have access to the Internet versus the vast majority of the population in the United States, it is clear that the villages in which we live throughout the world are not a bit dissimilar, but wildly disparate. When the average income in Turkey is \$348 per year while the average income in the United States is \$25,820, it is clear that there are some in the village who have and there are some in the village who do not. When only 14% of Mexico's small firms developed a web site in 1999, is it clear that trading relationships will remain unbalanced in the immediate future.

Yet, economies are becoming more global and more accessible, thanks to regional and worldwide trade agreements, dismantling of trade barriers and quota systems, and improved protection of patents and yet, ironically, an unstoppable access to technology and good ideas via the Internet. There are now profoundly less expensive ways to communicate with potential consumers, buyers and suppliers. The global, digital economy has arrived!

Small businesses will begin to play a pivotal role in this ever-changing, evolving global economy. Firms seeking to be an active citizen of the global village can identify trade opportunities with firms not only in developed countries such as Great Britain, Canada, Germany, Mexico and Japan but also with firms in transitional economies and emerging democracies such as in Africa, Brazil, China, Indonesia, India, Russia and other former Communist republics.

It is imperative to include all members of the global village in our vision of the new global economy, poor or rich, weak or strong. Because small firms not participating fully in the global economy will be like those who do not use the Internet for buying and supplying, researching and communicating and marketing: noncompetitive and behind the times.

An unprecedented democratization of our world has occurred, the continuation of which is dependent on economic growth and stability in all countries. In fact, just five years ago, who would have imagined that the economic crisis in Asia would have created not a ripple but a resounding tidal wave of financial instability that has effected firms in developed and developing countries throughout the world? Who could have predicted that music produced in Brazil can be heard anywhere in the world the same day it is released?

As a result, firms must be proactive and ready to respond to the challenge of competing in a global economy and to the opportunities inherent in all markets. Simply put, the massive restructuring of our social, political and economic world has created a worldwide market of savvy and knowledgeable consumers ready to buy goods or services. Yet currently less than 12% of American small- and mid-sized businesses have taken a walk in the global village. Such lackluster performance in exporting is attributed to many factors, including the perceptions that

the U.S. market is large enough, that it is simply too difficult to find foreign buyers, it is impossible to get paid, and that the paperwork is not worth the effort.

But the global village is expanding beyond its boundaries due to profound political, demographic, economic, cultural, technological and buyer-supplier changes throughout the world and offers us all an opportunity for a better life.

Exercise Fifteen: Identify the Factors that Contribute to a Global Village

First explain what the term “global village” means to you and then identify three recent political changes, three recent technological changes and three recent economic changes which have contributed to the development of the “global village”.

STAT-USA® source of information to complete this assignment: The entire web site can be used to obtain backup factual information.

Czinkota and Ronkainen: *International Marketing*, Chapter 24: The Future.

Exercise 16

The purpose of this assignment is to gain feedback on the value and maneuverability of the STAT-USA® site.

The National Trade Data Bank offers thousands upon thousands of trade-related market research reports by country and industry, trade leads, country guides, historical trade statistics, exchange rates, sources of assistance, and publications that delve deeper into particular subject areas. Specific information contained at this site includes but is not limited to:

A Basic Guide to Exporting

Background Notes

Bankable Deals: A Small Business Guide to Trade Finance

Best Market Reports

Business Directory of U.S. Government Resources

Compilation of World Motor Vehicle Import Requirements

A Comprehensive Guide to International Trade Terms

Country Analysis Briefs (CABs)

Country Commercial Guides

Country Directories of International Contacts

Country Reports on Economic Policy and Trade Practices

Country Reports on Human Rights Practices

Defense Diversification Programs

Development Bank Business Opportunities

Export Working Capital Program

Export-Import Bank Programs and Information

Feasibility Studies and Projects

Foreign Assets Control Information

Foreign Labor Trends

Foreign Exchange Rates

Foreign Trade Zone Information

Guide to the National Trade Data Bank

International Business Practices

Legal Aspects of International Trade and Investment

Market Research Reports
Multilateral Development Bank Reports
National Trade Estimates Report on Foreign Trade Barriers
North American Quality System Registration Organizations
Organizations Conducting Standards-Related Activities
Patterns of Global Terrorism
Table of Export Denial Orders Currently in Effect
Trade Associations and Publications
Trade Secrets: The Export Answer Book
United Nations Electronic Trading Opportunity Leads
U.S. Export Administration Regulations
U.S. Exports Commodity Classification (Schedule B)
U.S. Foreign Trade Highlights
U.S. Foreign Trade Update – Monthly Analysis
U.S. International Trade in Goods and Services – Press Releases
U.S. Manufacturers Trade Performance — Quarterly Report
USAID Business Information
World Bank International Business Opportunities Service
World Factbook
The Year in Trade

Clearly, this resource is absolutely invaluable to anyone seeking foreign market entry opportunities but it is a complex and vast system. What do you think of the U.S. government's attempt to provide international trade-related data, information, trade leads, etc. to exporters? What information do you think should be provided that is currently not included?

Assignment Sixteen: Evaluating the Website

Prepare a one page memo to the director of STAT-USA®, in which you offer your opinion on the information contained on the STAT-USA® site, ease of navigation and suggested additional information that should be contained in the NTDB. E-mail your memo with a copy to your professor to: statmail@mail.doc.gov. Include in your memo, your name, your year, and affiliation.

Appendix A

NATIONAL TRADE DATA BANK: TABLE OF CONTENTS

Folder/Subfolder	Program Title
Export Assistance, Regulations and Information	
CDIC	Country Directories of International Contacts
EXPROG	Export Programs: A Business Directory of U.S. Government Resources
EXREGS	U.S. Export Administration Regulations
INFO	Additional Information Sources and Contacts
KEYOFF	Key Officers of Foreign Service Posts
TRDSEC	Trade Secrets: The Export Answer Book
Export Promotion	
EVENTS	Export Promotion Calendar
Global Business Opportunities	
AGHIST	Previous Agricultural Trade Leads
BIWEEK	U.S. Trade and Development Agency Pipeline
ETO	UN Electronic Trading Opportunity Leads
NISTT BISNIS	Trade and Tenders
PARTEE	BISNIS Search of Partners
TOPHIS	Previous Trade Opportunity Program Leads
Market and Country Research	
AGWRLD	Agworld Attache Reports
BISBUL	BISNIS Bulletin (Newly Independent States)
BMR	Best Market Reports
BNOTES	Background Notes
CCG	Country Commercial Guides
ECOPOL	Country Reports on Economic Policy and Trade Practices
ELECT	Electric Current Abroad
EXRATE	Foreign Spot Exchange Rate
FTBAR	National Trade Estimates Report on Foreign Trade Barriers
HUMAN	Country Reports on Human Rights Practices
IMI	Market Research Reports: International Market Insights (IMI)
ISA	Market Research Reports: Industry Sector Analysis (ISA)
MDB	Multilateral Development Bank Reports
NAFTAT	North American Free Trade Agreement Treaty
NARC	International Narcotics Control Strategy Report

TERROR
WOFACT

Patterns of Global Terrorism
World Factbook

International Bank Opportunities and Information

ADBBO	Asian Development Bank Business Opportunities
AFDB	African Development Bank Business Opportunities
BUSOPP	World Bank International Business Opportunities Service
EBPO	European Bank's Procurement Opportunities
IADB	Inter-American Development Bank Projects
IFC	International Finance Corporation Information
NADB	North American Development Bank Information

International Trade Statistics

FORTRD	U.S. International Trade in Goods and Services – Press Release
FISH	Fish and Fishery Product Imports and Exports
FTD	Understanding U.S. Foreign Trade Data
SCHEDB	U.S. Exports Commodity Classification (Schedule B)
USFTHL	U.S. Foreign Trade Highlights
YEARIN	The Year in Trade

Miscellaneous

FACI	Foreign Assets Control Information
LEGAL	Legal Aspects of International Trade and Investment
LEXCON	A Comprehensive Guide to International Trade Terms
SOFTIN	Software/Systems International

Other International Statistics

MINER	Minerals Yearbook
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